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# MARKETING & TRANSPORTATION Situation



MARKET FACTS

Item	Unit or base period	1973			1974	
		Year	III	IV	II	III
Farm-Retail Price Spreads: <u>1/</u>						
Retail cost .....	Dol.	1537	1604	1635	1731	1751
Farm value .....	Dol.	700	779	724	699	720
Farm-retail spread .....	Dol.	837	824	911	1032	1031
Farmer's share of retail cost .....	Pct.	46	49	44	40	41
Retail Prices: <u>2/</u>						
All goods and services (CPI) .....	1967=100	133.1	134.4	137.6	145.6	150.1
All food .....	1967=100	141.4	146.2	149.9	159.5	162.8
Food at home .....	1967=100	141.4	147.1	150.1	160.2	163.0
Food away from home .....	1967=100	141.4	142.8	149.4	157.1	161.8
Wholesale Prices: <u>2/</u>						
Food <u>3/</u> .....	1967=100	146.9	154.4	154.5	166.0	175.9
Cotton products .....	1967=100	143.6	148.3	160.6	177.3	181.6
Woolen products .....	1967=100	128.2	133.6	129.3	120.6	117.8
Agricultural Prices:						
Prices received by farmers .....	1967=100	172	191	183	174	178
Prices paid by farmers, interest, taxes and wage rates .....	1967=100	149	153	155	169	173
Prices of Marketing Inputs:						
Containers and packaging materials .....	1967=100	123	124	126	145	161
Fuel, power, and light .....	1967=100	138	138	147	200	212
Services <u>4/</u> .....	1967=100	146	147	149	155	161
Hourly Earnings:						
Food marketing employees <u>5/</u> .....	Dol.	3.66	3.67	3.75	3.94	--
Employees, private nonagricultural sector <u>2/</u> .....	Dol.	3.89	3.93	4.00	4.14	4.26
Farmers' Marketings and Income:						
Physical volume of farm marketings .....	1967=100	116	109	157	89	117
Cash receipts from farm marketings <u>6/</u> ..	Bil. dol.	88.6	93.6	98.5	91.3	94.5
Farmers' realized net income <u>6/</u> .....	Bil. dol.	32.2	34.8	37.7	23.9	23.6
Industrial Production: <u>7/</u>						
Food manufacturers .....	1967=100	122.7	122.8	124.1	126.9	126.7
Textile mill products .....	1967=100	127.3	129.4	130.2	124.2	--
Apparel products .....	1967=100	113.2	113.7	116.2	104.3	--
Tobacco products .....	1967=100	110.7	108.2	111.2	105.6	--
Retail Sales: <u>8/</u>						
Food stores .....	Mil. dol.	105,872	27,084	27,593	29,266	--
Eating and drinking places .....	Mil. dol.	38,011	9,541	10,026	10,272	--
Apparel stores .....	Mil. dol.	24,086	6,037	6,076	6,154	--
Consumers' Per Capita Income and Expenditures: <u>9/</u>						
Disposable personal income .....	Dol.	4,295	4,340	4,452	4,565	4,671
Expenditures for goods and services ...	Dol.	3,827	3,876	3,905	4,105	4,243
Expenditures for food .....	Dol.	682	701	722	758	787
Expenditures for food as percentage of disposable income .....	Pct.	15.9	16.2	16.2	16.6	16.9

1/ For a market basket of farm foods. 2/ Dept. of Labor. 3/ Processed foods, eggs, and fresh and dried fruits and vegetables. 4/ Includes such items as rent, property insurance and maintenance, and telephone. 5/ Average hourly earnings of production workers in food processing, and nonsupervisory workers in wholesale and retail food trades, calculated from Dept. of Labor data. 6/ Quarterly data seasonally adjusted at annual rates. 7/ Seasonally adjusted, Board of Governors of Federal Reserve System. 8/ Quarterly data seasonally adjusted, Dept. of Commerce. 9/ Seasonally adjusted annual rates, calculated from Dept. of Commerce data. Percentages have been calculated from total income and expenditure data.

# MARKETING AND TRANSPORTATION SITUATION

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## SUMMARY

Farm-retail spreads for a market basket of U.S. farm foods are expected to widen in the fourth quarter and for all of 1974 will probably average 21 percent more than in 1973. This is nearly 3 times the previous largest annual increase.

Although rising wage rates, energy and material costs, and transportation charges are expected to continue to exert upward pressures during the first half of 1975, the rate of increase in marketing spreads should be far less than the increase in the first half of 1974. Cost pressures that built up during the economic control program and from the energy crisis, principal forces behind increases of the past year, probably are already included in farm-retail spreads for most products. Farm-retail spreads and costs incurred by food marketing firms in the first half of 1975 should more nearly approximate movements in the general price level of the economy. With widening marketing margins and strengthening returns to farmers expected in the first half of 1975, retail prices for U.S. farm foods are expected to continue the upward climb of the past 11 straight quarters.

The retail cost of a market basket of foods originating on U.S. farms averaged \$1,751 (annual rate) in the third quarter of 1974, up 1.1 percent from the previous quarter. Although retail prices for most foods rose, increases were particularly large for fresh fruit, processed fruits and vegetables, oilseed products, and sugar. The retail cost of farm foods in the third quarter of this year was 9.2 percent higher than a year earlier. Increases were greatest for oilseed products, bakery and cereal products, processed fruits and vegetables, and sugar. In contrast, retail prices were lower for meats and poultry and eggs.

Gross returns to farmers (farm value of quantities of farm commodities equivalent to retail units) for market basket foods averaged \$720 (annual rate) in the third quarter of this year, 3.1 percent higher than in the previous quarter but 7.6 percent lower than the record level of a year earlier. Higher prices, spurred by reduced marketings, led to large increases in returns to farmers for meat animals, poultry, eggs, and oilseed products in the third quarter, particularly July and August. Returns rose sharply again in October.

Farmers received an average of 41 cents of each dollar spent for market basket foods in the third quarter, 1 cent more than in the previous quarter but 8 cents less than in the third quarter of 1973. The farmer's share averaged 41 cents in September.

After spiraling upward since the first quarter of 1973, the farm-retail spread for the market basket of farm foods changed little from the second to the third quarter

of 1974. The spread between the retail cost and the farm value of the market basket averaged \$1,031 (annual rate) in the third quarter, about the same as in the previous quarter but 25 percent higher than a year earlier. Spreads or gross margins for assembling processing, transporting, and distributing increased significantly from year-earlier levels for most market basket foods. However, spreads for poultry narrowed sharply, and changed little for fresh vegetables and eggs.

## FARM-FOOD MARKET BASKET STATISTICS

### Retail Cost

Retail prices for food produced on U.S. farms continued to push higher during the third quarter of 1974 but at a slower rate than earlier in the year. Consumers paid an average of \$1,751 (annual rate) for a market basket of farm-originated foods in the third quarter, \$20 or 1.1 percent more than in the previous quarter (table 1).<sup>1</sup> This compares with increases of 0.6 percent in the second quarter and 5.2 percent in the first quarter. Retail prices increased for most foods except dairy products, which decreased moderately, and fresh vegetables, which fell sharply. Much of the third-quarter rise for market basket foods came from large price increases for fresh fruits, processed fruits and vegetables, fats and oils products, and sugar. Retail prices for market basket foods have risen in each of the past 11 quarters.

They varied greatly during the third quarter. After decreasing 0.3 percent in July, retail prices of market basket foods increased 1.4 percent in both August and September as returns to farmers strengthened.

Compared with the third quarter last year, retail prices were up 9.2 percent. For crop products, except fresh vegetables, they showed extremely large increases. Increases were greatest for fats and oils products, bakery

and cereal products, processed fruits and vegetables, and sugar. In contrast, the retail cost for most animal products was lower than a year-earlier—meat prices were 6 percent lower and poultry and eggs, 23 percent lower. Dairy products were an exception, rising sharply. Price increases for individual products varied widely: 50 percent for dry beans, 90 percent for rice, 130 percent for sugar, 70 percent for vegetable shortening, and 35 percent for white flour. In contrast, prices for pork, poultry, and eggs averaged sharply lower than last year's third-quarter record. Prices for beef and potatoes averaged about the same as a year earlier.

The retail cost of market basket foods in the third quarter averaged 62 percent above the 1967 level.

### Farm Value

Returns to farmers for foods in the market basket totaled \$720 (annual rate) in the third quarter, up \$22 or 3.1 percent from the previous quarter as supplies of many products tightened. This compares with a \$79 or 10-percent drop from first to second quarter 1974. Third-quarter increases, although fairly general, were particularly large for meat animals, poultry, eggs, fresh fruits, and fats and oils products. In contrast, returns decreased substantially for milk and several fresh vegetables, including potatoes and tomatoes. After dropping about 15 percent from February to June, farm values increased in both July and August. Returns decreased somewhat in September as farm marketings increased.

Returns to farmers for market basket foods were down 7.6 percent from the record level of a year earlier. Lower returns for beef cattle, hogs, poultry, and eggs contributed most to the decrease. Farm values for most crop products were up significantly: 93 percent for oilseed products; 33 percent for fruits and vegetables for processing reflecting higher prices for the new crop; and 20 percent for bakery and cereal products, reflecting higher prices for wheat and other farm-produced ingredients.

The farm value of market basket foods in the third quarter averaged 72 percent above the 1967 average.

<sup>1</sup>The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and single workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The retail cost of the market basket foods is less than the cost of all foods bought per household, since it does not include cost of meals in eating places, imported foods, seafoods or other foods not of U.S. farm origin. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket minus allowances for byproducts. It is based on prices at the first point of sale and may include some marketing charges incurred by farmers such as grading and packing for some commodities. The farm-retail spread, the difference between the retail cost and farm value, is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket.

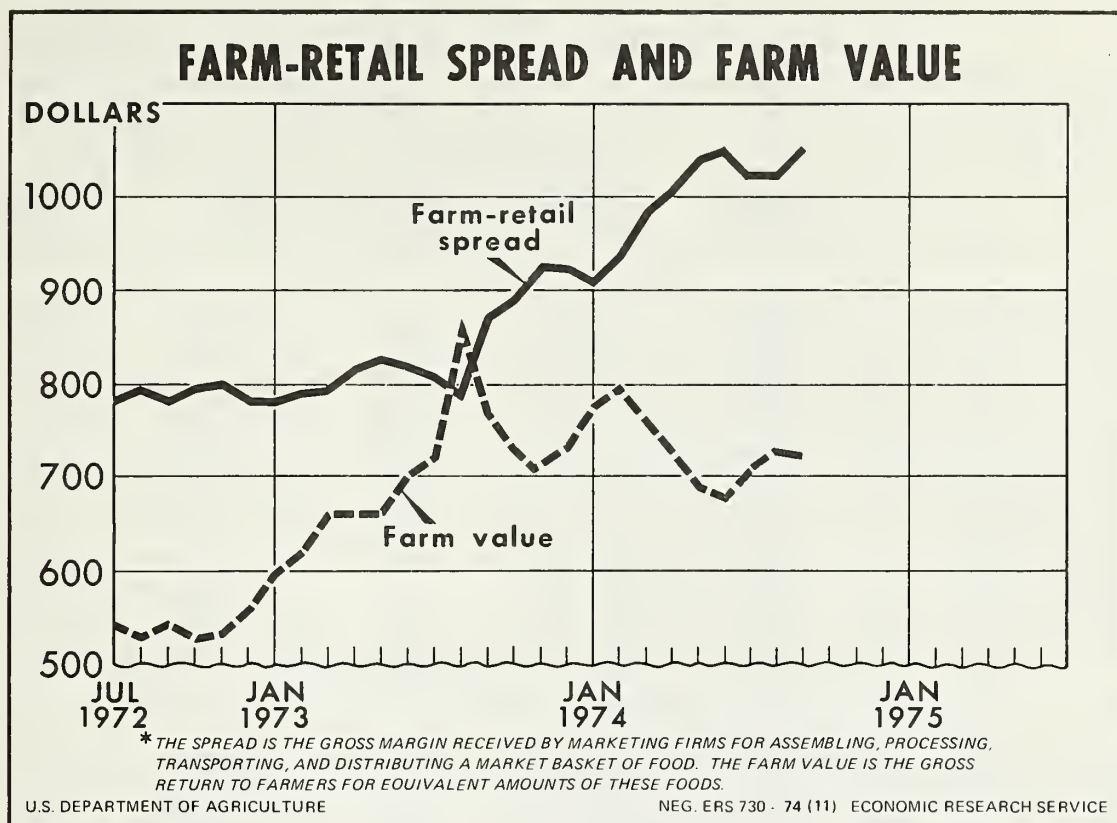


Figure 1

### Farm-retail Spreads

The farm-retail spread changed little from the second to the third quarter of this year, the first break in an upward trend that began more than a year ago. The spread between the retail cost and farm value of the market basket averaged \$1,031 (annual rate) in the third quarter. Spreads decreased for beef, pork, poultry, eggs, fresh vegetables, and fats and oils products but increased for other market basket foods.

Compared with the third quarter of 1973, farm-retail spreads representing the gross margins taken by firms for assembling, processing, transporting, and distributing a market basket of farm foods widened 25 percent. Spreads widened significantly for all product groups except poultry, eggs, and fresh vegetables. Spreads for bakery and cereal products, fats and oils products, and dairy products widened by one-third or more, and spreads for processed fruits and vegetables and meats widened almost a fourth. Spreads for sugar also increased sharply as retail sugar prices skyrocketed. In contrast, the marketing spread for poultry narrowed by 9 percent. Spreads for eggs and fresh vegetables were about the same as year-earlier levels.

The extraordinarily large increase in marketing margins in the past year appears to be the result, in part,

of an accelerated increase in costs of marketing inputs and pent-up cost pressures occurring during the period of economic controls. From the time controls were imposed in mid-1971 until ceilings were lifted in mid-1973, the farm-retail spread increased far less than the increase in labor costs and inputs purchased by marketing agencies. For instance, from 1971 to 1973, unit labor costs in food marketing rose an estimated 20 percent and intermediate goods and services (such as packaging materials, fuel, power, light, rents, and insurance) rose over 12 percent, while the farm-retail spread increased 9.5 percent. Since price ceilings were removed in the summer of 1973, such pent-up cost increases have apparently been passed through the system by food marketing firms attempting to reestablish normal markups and improve relatively low earnings of the control period.

This past year, almost every expense incurred in processing and distributing foods has shown sharp increases. Energy costs were up most—third quarter prices were 52 percent above a year earlier. Hourly earnings of food marketing employees averaged 10 percent higher in July of this year than a year ago.

Packaging material costs have risen 30 percent in the past year reflecting higher costs of basic raw materials, particularly petroleum products, and higher profits of

Table 1.--The market basket of farm foods by product group: Retail cost, farm value and farm-retail spread, third quarter 1974 with comparisons 1/

Item	III 1974	Change from:			
		Previous quarter		Year ago	
	<u>Dollars</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>
Retail cost					
Market basket .....	1750.64	19.81	1.1	146.97	9.2
Meat .....	527.10	11.56	2.2	-32.77	-5.9
Dairy .....	293.93	-8.73	-2.9	47.84	19.4
Poultry .....	65.73	.25	.4	-23.29	-26.2
Eggs .....	51.34	1.24	2.5	-11.54	-18.4
Bakery and cereal ...	279.89	4.55	1.7	68.43	32.4
Fresh fruits .....	79.39	5.89	8.0	7.84	11.0
Fresh vegetables ....	115.84	-22.46	-16.2	-1.34	-1.1
Processed fruits and vegetables .....	170.33	9.75	6.1	35.53	26.4
Fats and oils .....	77.60	5.17	7.1	27.99	56.4
Miscellaneous .....	89.49	12.59	16.4	28.28	46.2
Farm value					
Market basket .....	720.32	21.75	3.1	-58.99	-7.6
Meat .....	304.35	30.22	11.0	-75.85	-20.0
Dairy .....	133.69	-16.87	-11.2	8.89	7.1
Poultry .....	37.13	2.26	6.5	-20.42	35.5
Eggs .....	34.73	2.65	8.3	-11.50	24.9
Bakery and cereal ...	61.25	3.74	6.5	10.27	20.1
Fresh fruits .....	24.02	1.60	7.1	1.24	5.4
Fresh vegetables ....	37.41	-10.26	-21.5	-1.81	-4.6
Processed fruits and vegetables .....	34.31	-.58	-1.7	8.51	33.0
Fats and oils .....	39.96	10.11	33.9	19.29	93.3
Miscellaneous .....	13.47	-1.12	-7.7	2.39	21.6
Farm-retail spread					
Market basket .....	1030.32	-1.94	-.2	205.96	25.0
Meat .....	222.75	-18.66	-7.7	43.08	24.0
Dairy .....	160.24	8.14	5.4	38.95	32.1
Poultry .....	28.60	-2.01	-6.6	-2.87	-9.1
Eggs .....	16.61	-1.41	-7.8	-.04	-.2
Bakery and cereal ...	218.64	.81	.4	58.16	36.2
Fresh fruits .....	55.37	4.29	8.4	6.60	13.5
Fresh vegetables ....	78.43	-12.20	-13.5	.47	.6
Processed fruits and vegetables .....	136.02	10.33	8.2	27.02	24.8
Fats and oils .....	37.64	-4.94	-11.6	8.70	30.1
Miscellaneous .....	76.02	13.71	22.0	25.89	51.6

1/ The market basket contains the average quantities of farm-originated foods purchased annually per household in 1960-61. Retail cost is calculated from U.S. average retail prices collected by the Bureau of Labor Statistics. Farm value is payment to farmer for equivalent quantities of farm products minus imputed value of byproducts obtained in processing. Quarterly data are annual rates. Additional data are shown in tables at the back of this report.

Table 2.--The market basket of farm food: Retail cost, farm value, farm-retail spread, and farmer's share of the retail cost <sup>1/</sup>

Year and quarter	Retail cost	Farm value	Farm-retail spread	Farmer's share	Month	Retail cost	Farm value	Farm-retail spread	Farmer's share
	1967 = 100		Percent			1967 = 100		Percent	
Average:					1972				
1947-49 ...	82.9	106.9	67.7	50	January ..	117.8	120.7	115.9	40
1957-59 ...	91.5	94.8	89.5	40	February ..	120.3	122.5	118.9	39
					March ....	120.4	120.3	120.4	39
1963 .....	93.2	90.2	95.1	38	April ....	119.9	119.9	119.9	39
1964 .....	93.4	90.0	95.5	37	May .....	119.8	122.1	118.3	40
1965 .....	96.0	99.2	93.9	40	June .....	120.6	125.2	117.7	40
1966 .....	101.1	106.3	97.8	41	July .....	122.2	128.9	118.0	41
1967 .....	100.0	100.0	100.0	39	August ...	122.6	126.8	120.0	40
1968 .....	103.6	105.3	102.5	39	September :	122.6	129.5	118.2	41
1969 .....	109.1	114.8	105.5	41	October ..	122.5	125.8	120.4	40
1970 .....	113.7	114.1	113.4	39	November ..	123.1	126.3	121.0	40
1971 .....	115.7	114.4	116.5	38	December ..	123.8	132.8	118.1	42
1972 .....	121.3	125.1	118.9	40					
1973 <sup>2/</sup> .....	142.3	167.0	126.6	46	1973				
					January ..	127.2	142.4	117.6	43
1971					February ..	130.4	148.0	119.2	44
I .....	113.2	112.3	113.8	38	March ....	134.9	157.9	120.3	45
II .....	115.8	113.8	117.0	38	April ....	137.0	158.0	123.7	45
III .....	117.3	115.5	118.4	38	May .....	138.2	158.1	125.6	44
IV .....	116.7	116.1	116.9	39	June .....	140.4	166.3	124.0	46
					July .....	141.5	172.4	121.9	47
1972					August ...	153.0	204.5	120.4	52
I .....	119.5	121.2	118.4	39	September :	150.7	181.0	131.5	47
II .....	120.1	122.4	118.6	40	October ..	149.9	174.3	134.4	45
III .....	122.5	128.4	118.7	41	November ..	151.2	169.5	139.6	43
IV .....	123.1	128.3	119.9	40	December ..	152.7	174.4	139.0	44
1973					1974 <sup>2/</sup>				
I .....	130.8	149.4	119.0	44	January ..	155.5	185.3	136.6	46
II .....	138.5	160.8	124.4	45	February ..	160.3	190.5	141.2	46
III .....	148.4	186.0	124.6	49	March ....	161.7	182.2	148.7	44
IV .....	151.3	172.7	137.7	44	April ....	159.9	173.2	151.5	42
					May .....	160.4	164.7	157.7	40
1974					June .....	160.2	162.2	158.9	39
I .....	159.2	186.0	142.2	45	July .....	159.7	169.0	153.8	41
II .....	160.2	166.7	156.0	40	August ...	162.0	174.3	154.2	42
III .....	162.0	171.9	155.7	41	September :	164.3	172.3	159.2	41
IV .....					October ..				
					November ..				
					December ..				

<sup>1/</sup> The market basket contains the average quantities of domestic, farm-originated food products purchased annually per household in 1960 and 1961 by wage-earners and clerical worker families and workers living alone. Its retail cost is calculated from retail prices published by the Bureau of Labor Statistics. The farm value is the gross return to farmers for the farm products equivalent to foods in the market basket. The farm-retail spread--difference between the retail cost and farm value--is an estimate of the total gross margin received by marketing firms for assembling, processing, transporting, and distributing the products in the market basket. Indexes may be converted to dollar totals by multiplying by the following amounts for 1967: retail cost, \$1,080.64; farm value, \$419.07; and farm-retail spread, \$661.57. Quarterly and monthly data are annual rates. Additional historical data are published in Farm-Retail Spreads for Food Products, Misc. Pub. 741, January 1972. <sup>2/</sup> Preliminary.

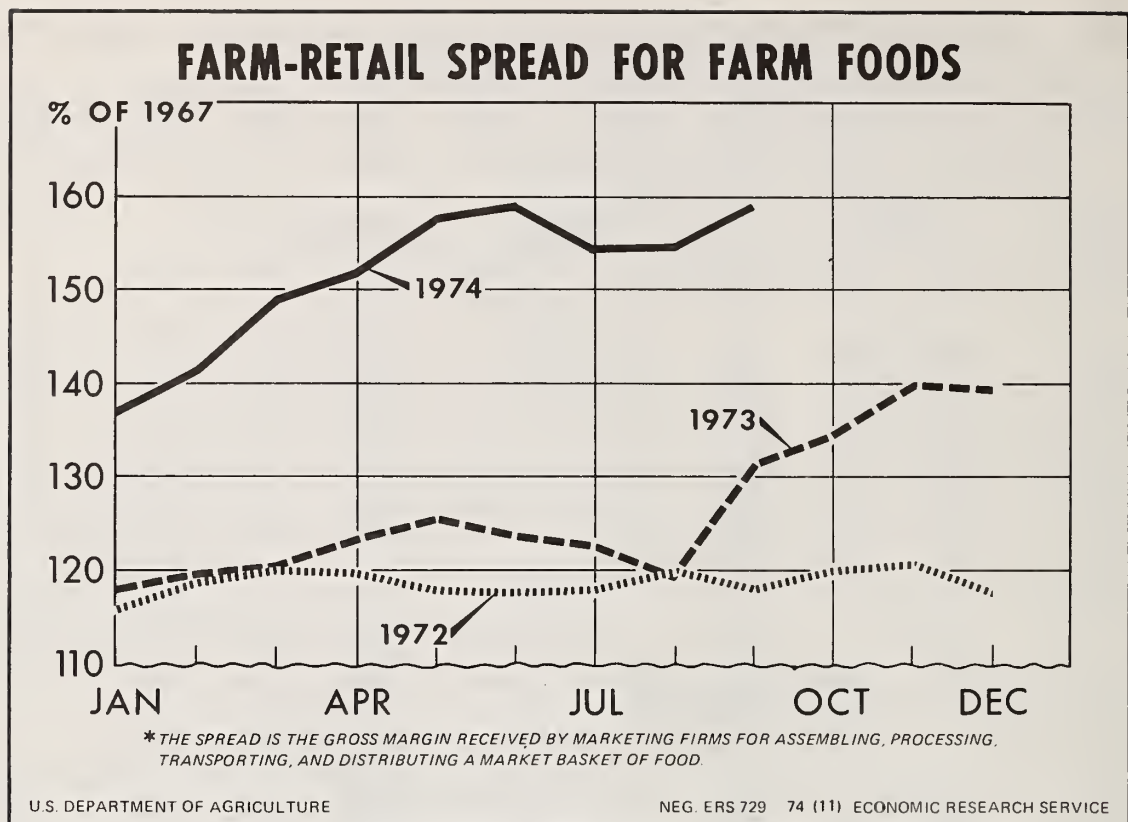


Figure 2

packaging manufacturers. Profits of 16 packaging manufacturers averaged 5.6 percent of sales in the first half of 1974 compared with 4.4 percent a year earlier. Several increases in transportation costs also have occurred in 1974.

With widening spreads in 1974, profit margins of leading food chains have recovered somewhat from their lower levels in 1972-73, averaging 0.9 percent of sales in the first half of 1974. Profits of food manufacturers, which have been relatively stable as a percentage of sales since 1971, averaged 2.6 percent in the second quarter of 1974, the same as a year earlier.

#### Farmer's Share

Farmers received an average of 41 cents of each dollar spent by consumers in retail food stores for market basket foods in the third quarter of this year. This was 1 cent more than in the previous quarter but 8 cents less than the record amount received in the third quarter of 1973. In the past year the farmer's share has varied widely, reflecting wide swings in returns to farmers. Shares ranged from 52 cents in August 1973 to 39 cents in June of this year. It averaged 41 cents in September this year.

#### Outlook

Farm-retail spreads may continue to widen in the fourth quarter of this year. For the year, they are expected to average 21 percent wider than in 1973.

Rising wage rates, energy and material costs, and transportation charges should continue the upward push on marketing margins into the first half of 1975. However, assuming no prolonged coal strike, the rate of increase should be much smaller than the extraordinary increase which occurred during the first half of 1974. The aftermath of the control program and the impact of the energy crisis, principal forces behind increases of the past year, probably have already been reflected in current farm-retail spreads for most products. General movements in marketing margins and costs incurred by food marketing firms during the first half of 1975 should more nearly reflect changes in the general price level. Marketing margins for highly manufactured products, in which labor and other marketing costs represent a relatively large share of the consumer's dollar, will probably increase more than margins for less highly processed foods.

For the market basket as a whole, spreads tend to widen when farm prices fall and contract when farm

prices rise. Thus, prospects for strengthening returns to farmers in the first half of next year may hold down increases in marketing margins.

### Commodity Highlights

**Beef:** Retail prices for Choice beef averaged \$1.41 per pound in the third quarter of 1974, up 6.5 cents from the previous quarter. Prices regained about two-thirds of the drop which occurred from the first to second quarters (table 3). The increase in the third quarter resulted from tighter supplies of red meats and poultry. The net farm value of the quantity of live cattle equivalent to the retail cuts increased 9.6 cents to 91.3 cents. As a result the farm-retail spread narrowed 3.1 cents from the second to third quarter. Both the farm-carcass and carcass-retail components of the spread narrowed.

Compared with a year earlier, retail prices for Choice beef averaged about 1 cent lower in the third quarter. In contrast, the farm value was 7.5 cents lower. Prices for Choice steers in seven Midwestern markets and California (used in computing the gross farm value for Choice beef) averaged \$44.21 per hundredweight, compared with \$49.09 a year earlier. Both the carcass-retail and farm-carcass components of the farm-retail spread increased—2.7 cents and 4.0 cents, respectively.

**Pork:** Farm-retail spreads for pork decreased sharply in the third quarter as returns to farmers increased more than retail prices. The net farm value of the quantity of live hog equivalent to a pound of pork sold at retail averaged 62.8 cents in the third quarter of 1974, up about 15 cents from the previous quarter. The retail price for pork cuts averaged \$1.07 per pound, up about 8 cents. As a result, marketing margins for pork narrowed about 7 cents to 44.6 cents. Both components of the farm-retail spread decreased. In September, spreads widened sharply as hog prices fell.

Although retail prices for pork cuts averaged 14 cents per pound lower in the third quarter than a year earlier, marketing margins widened by almost 9 cents. As a result, the drop in retail prices for pork only partially reflected the sharp decrease in hog prices from last year's record level.

**Fats and Oils:** Retail prices for fats and oils products in the third quarter averaged 56 percent higher than a year earlier. This tremendous increase resulted both from sharply higher returns to farmers for oilseeds and wider marketing margins. The farm value imputed to vegetable oils was almost double that of a year earlier, while marketing margins increased about 30 percent.

**Dairy Products:** In the third quarter, wider marketing spreads accounted for about four-fifths of the almost 20-percent rise from a year earlier in the retail cost of dairy products. Returns to farmers increased about 7 percent while the marketing margin for assembling,

processing, and distributing dairy products through retail food stores widened by almost one-third.

**Sugar:** As the world supply of sugar has tightened since the first of the year, usually stable sugar prices have risen dramatically. These rapid increases have caused difficulties in estimating farm-retail price spreads for domestically produced beet and cane sugar. In fact, our regular estimating procedures using season average prices received by farmers for sugar beets and cane, which are adequate for measuring usual changes from year to year, are not sufficient now.

Returns to growers are largely determined by contracts with processors. Most contracts closely link grower returns with prices received by processors for raw cane sugar or refined beet sugar. Exact returns to growers are usually not known until all of the sugar has been sold for the crop year.

The extent to which producers have shared in the recent price rise depended on the terms of their contracts and the time of sale. The reported price estimate for the 1973 crop, which was sold from October 1973 through September 1974, is \$23 per ton for sugar beets and \$18.80 per ton for sugar cane. These were reported as a season average price in the June issue of *Agricultural Prices*. As a considerable part of the sugar produced from the 1973 crop was sold after June 1974 and at substantially higher prices than were anticipated in June, final prices for the 1973 crop, particularly for beets and Florida cane, probably were appreciably higher.

In recognition of the sharp price hikes in the past year, we have imputed a farm value for sugar each quarter for the 1973/74 crop year based on changes in wholesale prices. Estimated prices received by growers for sugar beets ranged from \$18 per ton in the fourth quarter of 1973 to \$51 per ton in the third quarter of 1974. Estimated returns for sugar cane ranged from \$13 per ton to \$36 per ton during the same period. Using these estimates and regular computational methods, the farm value of the quantity of sugar beets and sugar cane equivalent to 5 pounds of refined sugar sold at retail averaged 95.4 cents in the third quarter of 1974, up about 200 percent from a year earlier (table 4). The retail price for 5 pounds averaged \$1.75 in the third quarter, up 131 percent from a year earlier. As a result the farm-retail spread widened by 80 percent to average 79.6 cents in the third quarter of this year. This increase is probably nearer the actual increase in the spread from the third quarter of last year than the 195 percent increase obtained using the season average price.

**Bread:** The retail price of a 1-pound loaf of white bread was 34.7 cents in the third quarter of 1974, 7 cents more than a year earlier (table 5). The rise resulted mainly from an increase of 6 cents in the farm-retail spread representing the total charges involved in the marketing process. Baking and wholesaling charges accounted for about two-thirds of the increase in the

Table 3.--Beef, pork, and lamb: Retail price, carcass value, farm value, farm-retail spread, and farmer's share of retail price, annually 1970-73, quarterly 1973-74

Date	Retail price	Carcass	Gross	Byproduct	Net	Farm-retail spread			Farmer's
	per pound	value	value	allowance	value	Total:	Carcass-	Farm-	share
	1/	2/	3/	4/	5/	retail	carcass:	carcass:	
	Cents					Percent			
Beef, Choice grade 6/									
1970 .....	98.6	68.3	66.2	4.7	61.5	37.1	30.3	6.8	62
1971 .....	104.3	75.7	72.3	4.5	67.8	36.5	28.6	7.9	65
1972 .....	113.8	80.1	79.8	7.4	72.4	41.4	33.7	7.7	64
1973 .....	135.5	98.3	100.0	10.1	89.9	45.6	37.2	8.4	66
1973									
Jan.-Mar. ..	129.2	95.2	96.6	9.4	87.2	42.0	34.0	8.0	67
Apr.-June ..	135.8	100.2	102.7	10.0	92.7	43.1	35.6	7.5	68
July-Sept. .	141.8	7/ 105.6	110.4	11.6	98.8	43.0	36.2	6.8	70
Oct.-Dec. ..	135.1	92.1	90.2	9.5	80.7	54.4	43.0	11.4	60
1974									
Jan.-Mar. ..	145.1	104.0	101.5	9.4	92.1	53.0	41.1	11.9	63
Apr.-June ..	134.5	93.5	89.0	7.3	81.7	52.8	41.0	11.8	61
July-Sept. .	141.0	102.1	99.1	7.8	91.3	49.7	38.9	10.8	65
Oct.-Dec. ..									
Pork 6/									
1970 .....	78.0	58.8	42.8	3.4	39.4	38.6	19.2	19.4	51
1971 .....	70.3	52.1	35.0	2.7	32.3	38.0	18.2	19.8	46
1972 .....	83.2	65.3	51.2	3.5	47.7	35.5	17.9	17.6	57
1973 .....	109.8	87.3	78.2	6.7	71.5	38.3	22.5	15.8	65
1973									
Jan.-Mar. ..	98.1	80.1	68.4	4.8	63.6	34.5	18.0	16.5	65
Apr.-June ..	103.1	79.4	70.8	6.0	64.8	38.3	23.7	14.6	63
July-Sept. .	121.8	101.7	94.8	8.7	86.1	35.7	20.1	15.6	71
Oct.-Dec. ..	116.1	87.9	78.9	7.4	71.5	44.6	28.2	16.4	62
1974									
Jan.-Mar. ..	115.2	82.3	73.7	7.7	66.0	49.2	32.9	16.3	57
Apr.-June ..	99.3	66.4	53.3	5.4	47.9	51.4	32.9	18.5	48
July-Sept. .	107.4	77.6	70.1	7.3	62.8	44.6	29.8	14.8	58
Oct.-Dec. ..									
Lamb, Choice grade									
1970 .....	105.5	73.8	65.1	6.4	58.7	46.8	31.7	15.1	56
1971 .....	109.9	75.1	63.1	5.9	57.2	52.7	34.8	17.9	52
1972 .....	118.8	79.7	70.5	7.5	63.0	55.8	39.1	16.7	53
1973 .....	134.3	91.2	86.6	12.9	73.7	60.6	43.1	17.5	55
1973									
Jan.-Mar. ..	130.6	89.3	87.3	12.7	74.6	56.0	41.3	14.7	57
Apr.-June ..	134.0	89.5	85.0	13.3	71.7	62.3	44.5	17.8	54
July-Sept. .	139.7	98.9	90.7	13.0	77.7	62.0	40.8	21.2	56
Oct.-Dec. ..	132.7	87.0	83.6	12.8	70.8	61.9	45.7	16.2	53
1974									
Jan.-Mar. ..	136.3	102.0	93.4	12.5	80.7	55.6	34.3	21.3	59
Apr.-June ..	134.6	103.0	99.1	14.7	84.4	50.2	31.6	18.6	63
July-Sept. .	143.2	102.0	89.6	12.7	76.9	66.3	41.2	25.1	54
Oct.-Dec. ..									

1/ Estimated weighted average price of retail cuts. 2/ For quantity equivalent to 1 lb. of retail cuts: Beef: 1.41 lb. of carcass beef; pork, 1.07 lb. of wholesale cuts; lamb, 1.18 lb. of carcass lamb.

3/ Payment to farmer for quantity of live animal equivalent to 1 lb. of retail cuts: Beef, 2.28 lb.; pork, 1.97 lb.; lamb, quantity varies by months from 2.42 lb. in May to 2.48 lb. in October. 4/ Portion of gross farm value attributed to edible and inedible byproducts. 5/ Gross farm value minus byproduct allowance. 6/ Carcass value, farm value, and spreads have been revised, 1970 to date. See note in this issue. 7/ Includes estimated carcass value for August 1973. See note in MTS 192.

spread. The retail margin also rose but the miller's spread decreased slightly. The farm value of wheat and other

farm ingredients in a 1-pound loaf increased 1 cent from a year earlier.

Table 4.--Estimates of farm value and farm-retail spread for sugar, quarterly 1973-74

Quarter	: Retail	: Based on season	: Based on estimated
	: price	: average price <u>1/</u>	: monthly prices <u>2/</u>
	: for	: Farm	: Farm
	: 5 pounds	: value	: retail
	:	: spread	: value
	:	:	: spread
	:	<u>Cents</u>	
<u>1973</u>	:		
July-September ...	: 75.6	31.5	44.1
October-December .	: 82.1	38.1	44.0
	:		
<u>1974</u>	:		
January-March ....	: 92.6	44.8	47.8
April-June .....	: 126.9	44.8	82.1
July-September ...	: 175.0	44.8	130.2
	:		

1/ Regular computational procedures using season average prices received by farmers for sugar beets and sugar cane as estimated by the Statistical Reporting Service.

2/ Computed from monthly estimates of prices received by beet and cane growers.

Table 5.--White pan bread: Retail price, marketing spreads, and farm value per 1-pound loaf, selected periods, 1950-1974

Period	Retail	Retail	Baker	Miller's	Other	Farm value	
	price	spread	whole-	flour	spreads	All	Wheat
	<u>1/</u>	<u>2/</u>	saler	spread	<u>5/</u>	ingred-	<u>7/</u>
			spread <u>3/</u>	<u>4/</u>		ients <u>6/</u>	
	Cents						
1950 ...	14.3	2.6	7.0	0.6	1.1	3.0	2.4
1955 ...	17.4	2.6	9.4	.7	1.5	3.2	2.7
1960 ...	19.8	3.8	10.9	.8	1.5	2.8	2.3
1965 ...	20.8	4.2	11.2	.6	1.6	3.2	2.6
1970 ...	24.2	5.6	12.8	.5	1.9	3.4	2.6
1971 ...	24.8	5.4	13.6	.6	1.7	3.5	2.6
1972 ...	24.7	4.6	13.8	.6	1.9	3.8	2.8
1973 ...	27.6	5.4	14.0	1.0	1.7	5.5	4.1
1973:							
I .....	25.1	4.7	13.4	.9	1.5	4.6	3.4
II .....	26.2	5.3	13.5	.7	1.9	4.8	3.6
III .....	27.7	5.3	13.6	1.0	1.9	5.9	4.5
IV .....	31.3	6.1	15.5	1.3	1.8	6.6	5.1
1974:							
I .....	32.8	5.8	15.4	1.3	2.0	8.3	6.4
II .....	34.4	6.1	18.1	.8	3.2	6.2	4.5
III ...	34.7	5.6	17.8	.9	3.5	6.9	5.0
IV .....							
Jan. ...	31.9	5.6	15.4	1.1	1.6	8.2	6.4
Feb. ...	32.5	5.6	14.7	1.3	2.1	8.8	6.9
Mar. ...	34.0	6.2	16.1	1.6	2.3	7.8	5.9
Apr. ...	34.3	6.2	18.0	1.0	2.6	6.5	4.7
May .....	34.3	6.0	18.7	.5	3.2	5.9	4.2
June ...	34.7	6.2	17.7	.9	3.8	6.1	4.5
July ...	34.8	5.9	17.6	.9	3.5	6.9	5.1
Aug. ...	34.6	5.6	17.9	1.2	3.3	6.6	4.8
Sept. ..	34.8	5.4	17.8	.7	3.8	7.1	5.2
Oct. ....							
Nov. ....							
Dec. ....							

1/ Based on monthly prices reported by Bureau of Labor Statistics. 2/ Spread between retail and wholesale prices. 3/ Spread between wholesale price of bread and cost to baker of all ingredients. 4/ Spread between mill sales value of flour and cost of wheat to miller. 5/ Charges for transporting, handling, merchandising farm ingredients; processing non-wheat farm ingredients; and cost to baker of non-farm ingredients. 6/ Returns to farmers for wheat, lard, shortening, nonfat dry milk and sugar used in a 1-pound loaf. 7/ Returns to farmers for wheat, less imputed value of millfeed by-products. Between July 1, 1964 and June 30, 1973, it includes value of commercial wheat marketing certificate (70 cents a bushel from July 1, 1964-June 30, 1965 and 75 cents thereafter).

## COSTS AND PROFITS IN MARKETING FARM PRODUCTS

According to preliminary estimates, the total cost of marketing food originating on U.S. farms will exceed \$100 billion for the first time in 1974. This represents an increase of 22 percent from a year earlier, almost three times 1973's increase over 1972. Individual food group increases may range from 3 percent for poultry and eggs to 30 percent for grain mill and bakery products. Marketing charges for meat and most other foods are expected to increase by over 20 percent. Increases in labor, energy, and packaging costs will account for much of the increase in this year's bill.

The farm value of U.S. farm food products may reach \$54 billion in 1974, 7 percent more than last year. Most of the increase is expected in returns for crop products. A slight decline is likely in the farm value of meat and dairy products. The estimated increase this year is only one-fourth of last year's record 30-percent increase.

Civilian expenditures for farm-originated foods are expected to total \$154 billion, an increase of 15 percent over 1973. Higher prices will account for nearly all of the increase.

### Labor Costs

Direct labor costs—the largest component of the costs incurred by firms marketing food products—will probably amount to about \$44 billion this year, an increase of about 10 percent over 1973. This total relates only to workers in establishments engaged in marketing U.S. farm foods. It does not include costs of labor engaged in for-hire transportation or in manufacturing and distributing supplies used by marketing firms.

The largest labor cost in food marketing in 1973 was incurred by food processors, \$11.8 billion; followed by eating places, \$11.7 billion; retailers, \$11.5 billion; and wholesalers, \$5.3 billion. However, preliminary indications for 1974 show both retail and eating place labor costs will exceed processors' labor costs for the first time. Both of these groups are expected to post increases totaling 22 percent in 1974. Much of the increase reflects cost pressures that built up during economic controls and large increases in labor contract settlements which are averaging twice as high as last year's settlements. Overall, the number of employees in all of the marketing sectors is expected to be only slightly above the 1973 level.

*Hourly Earnings:* Average hourly earnings of employees in firms processing and distributing food products have increased by 10 percent since July 1973, 1.5 times the average annual increases of the past 5 years (table 6). This increase is greater than the increase in the hourly earnings of all employees on private nonagricultural payrolls over the past year. However, food marketing wages rose less than the average of wage increases in the private economy in 1973 and the rise in the Consumer Price Index. Consequently, wage settlements this past year may reflect attempts to "catch up" with the general trend in wages and living costs.

Increases in hourly earnings for workers in food marketing firms this year have been greatest for retail foodstore employees. Hourly earnings of these employees averaged \$3.63 in July of this year, up 12 percent from a year earlier. Earnings of employees of other firms were up between 9 and 10 percent over a year ago to \$4.19 in food manufacturing, \$4.23 in food wholesaling, and \$2.32 in eating and drinking places. All increases were larger than a year earlier. Further, according to the Department of Labor, while 40 percent of the workers who come under negotiated wage settlements have their wages protected by cost of living escalators, 90 percent of them are concentrated in only four industries, one of which is food. Thus, hourly wages in the food industry will continue to rise sharply in the near future.

Hourly earnings of employees in establishments manufacturing and retailing nonfood farm products also are continuing to increase. In tobacco manufacturing, hourly earnings averaged \$4.42 this July, up 11 percent from a year ago. During this same period hourly earnings of textile mill product employees rose 12 percent to \$3.24. Hourly earnings of employees in retail apparel and accessories stores rose 7 percent to \$2.78, almost double the increase of the previous years. Hourly wages of workers employed in manufacturing apparel and related products rose 9 percent to \$2.99. Each of these increases was greater than that of 1973 over 1972 (table 7).

*Productivity:* Productivity in the economy as a whole was up slightly in early 1973, but has been declining since the third quarter of that year according to data reported by the U.S. Department of Labor. Between the third quarter of 1973 and the third quarter of 1974, output per man-hour in the private nonfarm sector

declined by 3 percent, output fell by 3.2 percent, and man-hours worked decreased by 0.3 percent. Compensation per man-hour rose 10 percent (real compensation was down 1.8 percent) pushing per-unit labor costs up 13 percent in the past 12 months.

Productivity data for the food sector are available only for food manufacturing firms through 1973 (table 8). Output per man-hour (productivity) in food manufacturing declined in 1973 as output declined three times more than total man-hours worked. This reduction in productivity was most pronounced in meat products manufacturing, where output decreased by 10 percent and man-hours by only 4 percent. The only significant increases in productivity occurred in poultry and egg and fruit and vegetable processing, where output per man-hour increased by 3 percent.

Some gain in productivity in food manufacturing is likely this year with output of meat and several other foods increasing moderating the impact of rising hourly earnings of workers. Overall unit labor costs for marketing farm-food products in 1974 are expected to rise by much less than last year's record 12 percent.

Estimates of output per man-hour in establishments manufacturing farm-originated foods have been revised for the preceding 5 years, due mainly to revisions in data used. The most extensive revisions were for 1972. Preliminary estimates for 1972 had shown no change in output per man-hour for all food manufacturing.

#### Transportation Charges

The combined index of railroad freight rates for agricultural commodities averaged 131 in 1973 (1967 = 100), up 3 points from 1972. The combined index for food increased by 5 points to 137 (table 9). These increases reflect rail freight rate increases authorized by the Interstate Commerce Commission in late 1972 and in August and October of 1973. Several increases have occurred in 1974, further raising transportation costs for food products. Railroads were granted general rate increases to cover higher contributions to the retirement fund of railroad workers and rising costs of fuel and other items. The increases in rates authorized in the first 6 months of this year, if fully effected by railroads, would have raised rates more than 10 percent above the 1973 level. However, it is not likely that all increases have been put into effect.

Although no truck freight rate indexes are maintained, truck transportation charges also have been increasing as a result of higher fuel costs and reduced highway speed limits. Regulated truckers were granted emergency rate increases, including a 6-percent fuel surcharge. The limited information available suggests that exempt truck rates also have increased for the same reasons.

Increases in rail freight rates over the years have differed among the various commodity groups for which

indexes are maintained. These different trends are probably related to the amount of rail traffic of the commodity group, length of haul, and adaptability of the commodity to routine scheduling and handling. Livestock freight rates declined slightly in the early 1960's as railroads attempted to retain or regain traffic, but since 1967 rates have risen 47 percent. Practically all livestock is now trucked because of the need for rapid delivery. Meat shipments by rail also have dropped rapidly in recent years as rail rates have increased and livestock slaughterhouses have relocated, becoming more widely dispersed and nearer to production areas. Although cotton rates have also risen sharply, rail traffic in cotton has remained fairly stable because of little change in production and consumption locations and the associated long haul.

Among major farm commodities, rail movements of grain have increased the most since the 1950's probably in part because grain rates in 1973 were only nominally above those in the late 1950's and because of increased production and exports. An increase in grain rates of 22 percent since 1969 is the smallest rate increase of all the major commodities.

#### Food Packaging Costs

Prices of food packaging materials and containers have increased substantially in 1974, averaging about 30 percent higher in the third quarter than a year earlier (table 10). This has increased marketing costs, particularly for processed foods, and been a factor in the extraordinarily large increase in the farm-retail price spread this year. Much of the rise in prices of packaging materials in 1974 has occurred since price controls ended in April.

Prices of metal containers, which account for about one-fourth of all food packaging materials, increased 25 percent from April to August of this year, compared with an increase of 8 percent for the prior 12-month period during price controls. This increase has substantially raised the costs of processing such items as fruits and vegetables since can costs make up as much as a fourth of the retail price of these and other products.

Prices of paper products, which represent nearly two-fifths of all food packaging materials, increased 13 percent from April to August 1974, nearly equaling the price increase of the prior 12-month period. Two important paper products have been in short supply during the past year—corrugated boxes, which are the principal shipping containers for canned and bottled grocery products, and grocery bags. Prices of corrugated boxes, which make up one-eighth of all food packaging materials, rose 14 percent from April to August 1974 compared with 12 percent in the prior 12 months. Grocery bags, which account for less than 1 percent of food packaging materials, increased 18 percent in price from April to August 1974. In the 12 months prior to April, prices increased only 6 percent.

Glass containers account for 10 percent of all food packaging materials. Price increases for glass were less than for paper and metal containers—only 7 percent from April to August 1974, about the same as in the prior 12-month period. Prices of all types of glass containers, such as food jars and bottles and beverage bottles, increased about the same percentage.

Plastic containers and wraps have experienced greater price increases than other materials since the beginning of the year, partly reflecting higher costs of petroleum raw materials used in manufacturing these products. For instance, the price of polyethylene film increased 40 percent from January to August of this year, compared with 13 percent during the prior 12 months. Prices of other plastic bottles, films, and wraps increased by similar amounts. The use of plastics for food packaging has grown faster than the use of most other materials in recent years because of their relatively low prices. Plastics presently account for about 10 percent of all packaging materials.

The recent slowdown in the economy and increased output of packaging materials is thought to be easing the supply situation for corrugated boxes, paper bags, and possibly glass containers. Moreover, about 26 percent of all glass containers and 20 percent of all metal cans are used to package soft drinks. Recent increases in prices of soft drinks, amounting to around 30 percent the past year, may slow the demand for soft drinks, thus easing the supply situation and softening prices for glass bottles and metal cans.

#### Other Costs

In addition to costs of labor, transportation, and packaging materials, marketing firms incur a variety of

other expenses in processing, retailing, and distributing foods. These expenses include insurance, repairs, interest costs, rents, and fuel and electricity. Prices of these inputs have also increased the past year as shown by quarterly price indexes constructed from various BLS wholesale prices and other data (table 10).

Fuel, power, and light rates in the third quarter of this year were 52 percent higher than a year earlier, and nearly double 1970 rates. Prices of various services were up almost 10 percent in the third quarter over a year ago. Overall, price increases of intermediate goods and services purchased by marketing firms in 1973 and 1974 about equal total increases during the prior 10 years.

#### Corporate Profits

With widening farm-retail spreads in 1974, profits of food retailers and manufacturers have also increased. Profits of leading food chains, which were squeezed in 1972-73, averaged 0.9 percent of sales in the first half of this year, up from 0.5 percent a year earlier. Although complete data are not available, this data suggest that returns on stockholder's equity increased substantially from the 7.6 percent in 1973 (table 11).

Profits of food manufacturers as a percentage of sales have been relatively stable over the years, averaging 2.6 percent of sales in nearly every year since 1967. However, returns on stockholders' equity have increased gradually in recent years, from 10.8 percent in 1970 to 12.8 percent in 1973. Profits of food manufacturers for the first half of 1974 showed a further increase, averaging 13.6 percent in the second quarter compared with 12.3 percent a year earlier. This movement parallels the upward trend in returns on investment by all manufacturing industries.

Table 6.--Hourly earnings of employees of firms marketing food, annual 1958-73,  
monthly 1973-74

Year and month	Food manufacturers	Food wholesalers	Retail food stores	Food marketing <sup>1/</sup>	Eating & drinking places
	Dollars				
1958 .....	1.94	1.89	1.59	1.82	---
1959 .....	2.02	1.97	1.60	1.88	---
1960 .....	2.11	2.03	1.68	1.96	---
1961 .....	2.17	2.09	1.76	2.03	---
1962 .....	2.24	2.16	1.83	2.10	---
1963 .....	2.30	2.23	1.90	2.16	---
1964 .....	2.37	2.28	1.98	2.23	1.25
1965 .....	2.43	2.36	2.05	2.30	1.30
1966 .....	2.52	2.50	2.13	2.40	1.40
1967 .....	2.64	2.66	2.23	2.52	1.49
1968 .....	2.79	2.83	2.38	2.67	1.62
1969 .....	2.95	3.00	2.54	2.84	1.73
1970 .....	3.16	3.31	2.70	3.03	1.85
1971 .....	3.38	3.47	2.90	3.24	1.95
1972 .....	3.60	3.66	3.09	3.45	2.02
1973 .....	3.83	3.88	3.27	3.66	2.14
1973					
January .....	3.75	3.80	3.20	3.59	2.08
February .....	3.75	3.82	3.20	3.59	2.09
March .....	3.77	3.82	3.21	3.60	2.10
April .....	3.78	3.84	3.21	3.62	2.10
May .....	3.82	3.88	3.24	3.65	2.11
June .....	3.81	3.85	3.24	3.64	2.11
July .....	3.82	3.88	3.25	3.65	2.11
August .....	3.83	3.86	3.25	3.66	2.12
September .....	3.85	3.89	3.31	3.69	2.20
October .....	3.89	3.92	3.33	3.72	2.20
November .....	3.91	3.97	3.35	3.75	2.20
December .....	3.97	3.98	3.35	3.78	2.22
1974					
January .....	4.00	4.06	3.43	3.83	2.26
February .....	4.02	4.06	3.45	3.85	2.25
March .....	4.05	4.09	3.47	3.88	2.27
April .....	4.07	4.12	3.46	3.89	2.26
May .....	4.12	4.17	3.54	3.95	2.32
June .....	4.18	4.18	3.60	4.00	2.32
July .....	4.19	4.23	3.63	4.03	2.32
August .....	4.15				

<sup>1/</sup> Weighted composite earnings of production employees in food manufacturing and nonsupervisory employees in wholesale and retail food trade calculated by the Economic Research Service from data of the U.S. Department of Labor.

Table 7.--Hourly earnings of employees of firms marketing nonfood agricultural products, annual 1958-73 monthly 1973-74 1/

Year and month	Manufacturers			Retail apparel
	Tobacco	Textile-mill products	Apparel and related products	and accessories stores
	----- Dollars -----			
1958 .....	1.59	1.49	1.54	1.39
1959 .....	1.64	1.56	1.56	1.44
1960 .....	1.70	1.61	1.59	1.46
1961 .....	1.78	1.63	1.64	1.50
1962 .....	1.85	1.68	1.69	1.55
1963 .....	1.91	1.71	1.73	1.59
1964 .....	1.95	1.79	1.79	1.63
1965 .....	2.09	1.87	1.83	1.71
1966 .....	2.19	1.96	1.89	1.79
1967 .....	2.27	2.06	2.03	1.89
1968 .....	2.48	2.21	2.21	2.03
1969 .....	2.62	2.34	2.31	2.14
1970 .....	2.92	2.45	2.39	2.26
1971 .....	3.15	2.57	2.49	2.37
1972 .....	3.43	2.73	2.61	2.46
1973 .....	3.77	2.94	2.78	2.57
1973				
January .....	3.56	2.87	2.72	2.54
February .....	3.65	2.88	2.72	2.49
March .....	3.70	2.88	2.73	2.51
April .....	3.81	2.90	2.74	2.55
May .....	3.84	2.90	2.74	2.57
June .....	3.91	2.90	2.75	2.59
July .....	3.97	2.89	2.74	2.59
August .....	3.72	2.92	2.78	2.56
September .....	3.66	2.99	2.83	2.62
October .....	3.73	3.03	2.68	2.61
November .....	3.81	3.06	2.86	2.63
December .....	3.87	3.06	2.84	2.61
1974				
January .....	3.92	3.06	2.85	2.69
February .....	3.89	3.06	2.86	2.63
March .....	4.01	3.07	2.87	2.64
April .....	4.14	3.05	2.89	2.72
May .....	4.30	3.11	2.95	2.77
June .....	4.34	3.25	2.98	2.78
July .....	4.42	3.24	2.99	2.78
August .....				
September .....				
October .....				
November .....				
December .....				

1/ U. S. Department of Labor; production workers or nonsupervisory workers only.

Table 8 .--Output per man-hour in establishments manufacturing farm-originated foods,  
by industry, 1960-73 1/  
(1967 = 100)

Year	Output	Man- hours	Output per man- hour	Output	Man- hours	Output per man- hour	Output	Man- hours	Output per man- hour
	All foods <u>2/</u>			Meat products <u>3/</u>			Poultry and eggs <u>4/</u>		
1960 ..	83	105	79	81	108	75	62	79	78
1961 ..	86	104	83	82	104	78	73	86	84
1962 ..	88	102	87	83	102	81	72	81	89
1963 ..	91	99	92	87	101	86	76	86	88
1964 ..	95	101	94	94	108	87	80	88	91
1965 ..	96	99	97	91	101	91	85	91	93
1966 ..	98	99	99	96	99	97	92	95	97
1967 ..	100	100	100	100	100	100	100	100	100
1968 ..	103	99	104	103	98	105	96	102	94
1969 ..	102	100	102	103	97	106	102	109	94
1970 ..	103	97	106	106	97	108	114	111	103
1971 ..	104	95	109	110	96	115	117	110	106
1972 ..	106	95	112	112	95	118	122	110	111
1973 ..	103	94	111	101	91	112	122	107	114
	Dairy products <u>5/</u>			Processed fruits and vegetables <u>6/</u>			Grain-mill products <u>7/</u>		
1960 ..	93	121	77	73	92	79	84	108	77
1961 ..	95	119	80	78	93	85	87	107	82
1962 ..	96	114	85	85	93	91	91	106	86
1963 ..	99	109	91	82	91	90	96	99	97
1964 ..	100	108	93	87	93	94	98	101	98
1965 ..	101	105	97	91	96	95	98	99	98
1966 ..	100	101	99	96	99	97	100	99	102
1967 ..	100	100	100	100	100	100	100	100	100
1968 ..	100	95	105	109	103	106	103	98	105
1969 ..	99	92	107	104	110	94	104	98	106
1970 ..	97	88	110	108	106	101	104	96	109
1971 ..	98	83	118	108	108	100	105	91	115
1972 ..	100	81	124	111	108	102	108	89	121
1973 ..	98	79	125	114	109	105	112	92	121

1/ Output per man-hour indexes were computed from unrounded indexes of man-hours worked by all employees and factory output. Man-hour estimates for 1960-72 are based on data published by the Bureau of Census. Estimates for 1973 were interpolated from employment statistics published by BLS. Output estimates are based on value-added indexes published by the Bureau of Census projected for non-census years by physical output data published by the USDA. Data for 1964-73 are preliminary. 2/ Establishments primarily engaged in manufacturing shortening and cooking oils, margarine, macaroni, and spaghetti, as well as industry groups shown on this table. 3/ Meat packing plants and establishments specializing in prepared meat products. 4/ Poultry-dressing plants and establishments specializing in processed egg products. 5/ Plants engaged in processing fluid milk and cream, butter, natural cheese, concentrated milk, ice cream and ices, and special dairy products. 6/ Establishments primarily engaged in canning and freezing fruits and vegetables and manufacturing pickles and sauces. 7/ Establishments primarily engaged in manufacturing flour and meal, cereal products, rice milling, blended and prepared flour, and corn wet milling products. (Continued)

Table 8.--Output per man-hour in establishments manufacturing farm-originated foods,  
by industry, 1960-73  $\frac{1}{2}$  --Continued  
(1967 = 100)

[illegible]

8/ Establishments primarily engaged in manufacturing biscuits and crackers, wholesale bakeries, grocery chain bakeries, home service bakeries, and retail multioutlet bakeries (excluding nonbaking outlets except those retail units at the same location as the bakery). 9/ Establishments primarily engaged in manufacturing raw cane sugar from domestically grown cane and plants mainly engaged in the production of beet sugar. 10/ Establishments primarily engaged in manufacturing candy and other confections.

Table 9.--Railroad freight rate indexes for agricultural commodities, 1957-73 <sup>1/</sup>  
(1967 = 100)

Year	Livestock	Meat	Fruits and vegetables	Wheat	All grains	
1957 .....	104	143	112	119	116	
1958 .....	108	132	109	122	120	
1959 .....	106	121	102	120	116	
1960 .....	105	121	100	119	115	
1961 .....	104	121	101	119	114	
1962 .....	102	120	100	116	113	
1963 .....	100	117	99	114	111	
1964 .....	99	113	99	111	108	
1965 .....	99	104	99	99	101	
1966 .....	99	100	99	99	100	
1967 .....	100	100	100	100	100	
1968 .....	104	103	103	101	100	
1969 .....	108	107	108	102	100	
1970 .....	119	117	118	113	109	
1971 .....	135	132	134	125	121	
1972 .....	140	136	138	120	121	
1973 .....	146	138	140	124	122	
	Soybeans	Cotton	Wool	Tobacco	Combined index	
					Food : All	
					: products 2/: products 3/	
1957 .....	110	102	158	119	119	116
1958 .....	116	103	161	111	115	115
1959 .....	115	102	127	100	109	110
1960 .....	115	101	122	99	107	109
1961 .....	109	101	122	100	108	109
1962 .....	107	101	107	100	106	108
1963 .....	101	101	104	100	103	106
1964 .....	100	100	100	100	103	105
1965 .....	99	100	100	100	100	100
1966 .....	99	100	100	99	99	99
1967 .....	100	100	100	100	100	100
1968 .....	101	100	101	102	102	101
1969 .....	103	103	106	108	105	103
1970 .....	114	113	119	118	116	114
1971 .....	126	126	134	132	129	127
1972 .....	127	131	136	137	132	128
1973 .....	130	134	140	142	137	131

<sup>1/</sup> All indexes are of the weighted aggregative type and are based upon averages of rates in effect during the year. Annual averages are computed by weighting rates by the number of days they are in effect.

<sup>2/</sup> In constructing the all farm food index, food product groups are weighted by average quantities marketed domestically in 1957-59.

<sup>3/</sup> In constructing the all farm product index, farm product groups are weighted by average revenues for 1957-59.

Data for 1945-56 are published in the Marketing and Transportation Situation, MTS-47, November 1962.

Table 10 --Prices of inputs bought by food marketing firms, annual 1958-73,  
quarterly 1973-74

(1967=100)

Year and quarter	Intermediate goods and services					Yields on	
	Goods					New plant: and equipment	high-grade long-term bonds, per annum
	Total	Total:	Containers: and packaging materials	Fuel, power, and light	Services		
	<u>1/</u>			<u>2/</u>	<u>3/</u>	<u>4/</u>	

1958 .....

87

95

94

95

78

88

69

1959 .....

89

95

94

96

80

90

79

1960 .....

90

97

96

99

81

90

80

1961 .....

90

96

95

100

82

91

79

1962 .....

91

96

96

100

84

91

79

1963 .....

91

96

95

99

86

92

77

1964 .....

92

95

96

98

88

93

80

1965 .....

94

96

97

99

91

94

81

1966 .....

97

99

99

99

95

97

93

1967 .....

100

100

100

100

100

100

100

1968 .....

103

100

100

99

106

103

112

1969 .....

107

103

104

99

113

108

128

1970 .....

113

108

108

108

120

114

146

1971 .....

120

113

113

120

129

121

134

1972 .....

126

118

117

126

138

123

131

1973 .....

135

127

123

139

146

127

135

1973:

Jan.-Mar. ....

130

121

120

131

142

125

131

Apr.-June ....

134

126

123

135

145

126

133

July-Sept. ...

136

128

124

139

147

128

136

Oct.-Dec. ....

140

133

126

151

149

130

139

1974:

Jan.-Mar. ....

148

139

131

175

149

132

143

Apr.-June ....

155

156

145

200

155

136

152

July-Sept. ...

166

170

161

212

161

1/ Also includes prices of office supplies, restaurant supplies, and many other goods.

2/ Rent, property insurance and maintenance, telephone, etc.

3/ Implicit price deflator for investment in nonresidential structures and producers' durable equipment, U.S. Department of Commerce.

4/ Aaa corporate bonds; Moody's Investor Service. These yields are indicative of the cost of current long-term borrowings.

Table 11.-Profits after taxes of leading retail food chains and food manufacturing industries, annual 1963-73, quarterly 1973-74

Period	:	:	Manufacturing industries <u>2/</u>				:	All food :	All manu-
	Food	:	Dairy	Meat	Other	:	manufac-	facturing	
	chains	Baking	pro-	pack-	food	Soft	turing <u>3/</u>	<u>3/</u>	
:	<u>1/</u>	:	ducts	ing	products	drinks	(SIC 20)	<u>3/</u>	
<u>Percent return on stockholder equity</u>									
1963 .....	11.4	11.0	11.2	6.1	12.1	17.9	9.0	10.3	
1964 .....	11.5	11.3	12.2	8.6	11.8	20.1	10.1	11.7	
1965 .....	11.3	11.9	12.5	5.3	12.6	21.1	10.7	13.1	
1966 .....	11.4	13.9	12.6	5.2	13.3	22.0	11.3	13.6	
1967 .....	10.3	15.7	11.8	9.2	12.3	23.2	10.9	11.8	
1968 .....	10.3	13.4	11.7	8.3	12.7	22.7	10.8	12.2	
1969 .....	10.4	7.9	11.8	9.4	12.1	22.5	10.9	11.5	
1970 .....	10.6	11.0	12.0	6.6	12.8	22.7	10.8	9.3	
1971 .....	10.1	12.8	12.6	7.7	12.3	23.1	11.0	9.7	
1972 .....	5.1	11.2	12.8	9.2	14.2	22.1	11.2	10.6	
1973 .....	7.6	8.5	13.1	13.1	14.6	22.1	12.8	12.6	
1973									
January-March .....	--	--	--	--	--	--	10.8	11.6	
April-June .....	--	--	--	--	--	--	12.3	14.0	
July-September .....	--	--	--	--	--	--	13.3	12.3	
October-December ..	--	--	--	--	--	--	15.0	14.3	
1974									
January-March .....	--	--	--	--	--	--	12.5	14.3	
April-June .....	--	--	--	--	--	--	13.6	16.7	
July-September .....									
October-December ..									
<u>Percent return on sales</u>									
1963 .....	1.2	2.8	2.8	0.8	4.1	6.7	2.4	4.7	
1964 .....	1.3	3.0	3.1	1.1	4.1	6.6	2.7	5.2	
1965 .....	1.2	2.9	3.2	0.6	4.3	7.2	2.7	5.6	
1966 .....	1.2	3.0	3.3	0.6	4.3	7.2	2.7	5.6	
1967 .....	1.1	3.7	3.2	1.0	4.0	7.6	2.6	5.0	
1968 .....	1.1	3.2	3.1	1.0	4.0	7.5	2.6	5.1	
1969 .....	1.1	1.9	3.0	1.0	3.7	7.1	2.6	4.8	
1970 .....	1.1	2.5	3.1	.9	3.7	6.8	2.5	4.0	
1971 .....	.9	2.7	3.1	1.0	3.7	7.1	2.6	4.1	
1972 .....	.6	2.5	3.1	1.0	3.8	7.3	2.6	4.3	
1973 .....	.7	1.7	3.0	1.2	3.7	7.2	2.6	4.7	
1973									
January-March .....	.4	--	--	--	--	--	2.4	4.5	
April-June .....	.7	--	--	--	--	--	2.6	5.1	
July-September .....	.5	--	--	--	--	--	2.7	4.6	
October-December ..	1.0	--	--	--	--	--	3.0	5.6	
1974									
January-March .....	.9	--	--	--	--	--	2.5	5.6	
April-June .....	.9	--	--	--	--	--	2.6	6.0	
July-September .....									
October-December ..									

-- = Not available.

1/ Compiled by ERS from financial reports of 15 leading firms published in "Moody's Industrial Manual." 2/ Tabulated by the First National City Bank, New York and published in the April issue of its "Monthly Economic Letter." These figures may differ somewhat from industry averages because the compilation is more likely to include the largest and most profitable firms than small firms and corporations with no net income. 3/ Compiled from "Quarterly Financial Report for Manufacturing Corporations" published by the Federal Trade Commission.

## DISTRIBUTION OF THE FOOD DOLLAR BY MARKETING FUNCTION AND EXPENSE ITEM

**ABSTRACT:** Estimates for 1973 were made of costs and margins at each level in the processing and distribution system for selected major food items purchased in retail food stores. The following foods were studied: beef, pork, fluid milk, butter, eggs, broilers, apples, oranges, tomatoes, potatoes, rice, bread, salad and cooking oil, margarine, and vegetable shortening. For each food item, margins at each level were allocated to the extent possible into the following components: labor, packaging, transportation, business taxes, depreciation, rent, energy, interest, repairs, advertising, other costs and profits. The data show that margins and costs for different marketing functions vary widely among products.

**Key Words:** Food, margins, marketing, prices, costs.

The food dollar pays for all the services involved in producing, processing, and distributing food. Large cost increases in nearly all phases of marketing—including labor, packaging, and transportation—are a major factor in widening marketing margins and rising retail prices.

For 1973, costs and margins at each level of marketing were estimated for 22 leading food items which are purchased by consumers in retail stores to provide information on rising food costs. Margins and cost components for most of these foods were initially estimated for 1972. Margins for various marketing functions were derived from market prices or by summing the costs for a given function, adjusted to equivalent retail units. Cost and profit components were estimated from survey data, updated by cost indexes where necessary, and are considered approximations. Moreover, estimated cost components for 1973 are not directly comparable with those published for 1972 because of differences in sources of data and estimating procedures used.

The retail prices of the 22 foods studied were broken down by function—retailing, wholesaling, processing, assembly, and farm value—and are shown in table 12. Farm value is the payment to the farmer for the quantity of farm products equivalent to the retail unit. For each food item, margins were allocated to the extent possible into 12 cost components including labor,

packaging, and advertising. Components of margins are shown in tables 14 through 35. Wholesaling costs were not separately identified by cost components for most foods because of lack of data. The total of these costs is shown in the “unallocated” category under wholesaling.

Commodity specialists in the Commodity Economics Division of ERS had major responsibility for developing estimates of cost and profit components of margins from the farm through the wholesale level. Researchers in the National Economic Analysis Division of ERS undertook the studies of margins at the retail level. Names of principal researchers are footnoted.

Margins for different marketing functions vary widely among products due, in part, to differences in the amount of processing, packaging, and bulkiness. Processing or packing margins are less than a fifth of the retail price for about half of the 22 items studied, including the meat and dairy items, broilers, eggs, and fresh oranges, apples, potatoes, and lettuce. In contrast, they are around half of the retail price of applesauce, tomatoes, french fries, and catsup. Labor is the largest component of the processing margin for most products, followed by packaging costs. For several processed products, packaging costs are significantly greater than labor costs. These two costs together account for half to two-thirds of the processing margin for most items. Other cost components, such as business taxes, rent, and repairs each account for around 5 percent of the margin. Energy costs are between 2 to 4 percent of processing margins.

Intercity transportation costs from the processing or packing plant to either a wholesaler or retail store vary

<sup>1</sup>These estimates are published in “Developments in Marketing Spreads for Agricultural Products in 1973”, ERS-14 (1974), ERS, USDA, April 1974.

Table 12.--Distribution of retail price according to farm value and marketing function, 22 farm food products, 1972 and 1973.

Food item	Farm value 1/	Marketing functions					Retail price
		Assembly and pro- curement	Process- ing	Intercity transpor- tation	Wholesaling	Retailing 2/	
Beef, Choice (pound)							
1973 .....	89.9	1.5	5.8	1.1	8.9	28.3	135.5
1972 .....	72.5	1.3	5.3	.9	8.0	25.8	113.8
Pork, (pound)							
1973 .....	71.5	1.8	12.9	1.1	2.4	20.1	109.8
1972 .....	47.9	1.5	14.9	.9	2.0	16.0	83.2
Broilers, (pound)							
1973 .....	35.3	1.2	6.7	1.1	2.9	12.4	59.6
1972 .....	20.1	1.0	6.2	1.1	2.9	10.1	41.4
Eggs, grade A or AA large (dozen)							
1973 .....	54.4	.9	8.1	1.2	2.8	10.7	78.1
1972 .....	29.9	.8	7.6	1.2	2.8	10.1	52.4
Milk, sold in stores (½ gallon)							
1973 .....	33.2	2.5	11.6	3/	13.0	5.1	65.4
1972 .....	29.4	2.2	9.9	3/	11.8	6.5	59.8
Butter, (pound)							
1973 .....	62.9	3.2	5.1	1.4	2.0	17.0	91.6
1972 .....	63.8	2.3	5.5	1.3	2.5	11.7	87.1
Apples (3 pound bag)							
1973 .....	30.4	2.9	14.2	5.8	5.9	28.1	87.3
1972 .....	24.4	2.8	14.1	4.8	6.0	18.1	70.2
Oranges, Calif. (doz.)							
1973 .....	32.9	1.5	16.8	10.3	6.9	57.0	125.4
1972 .....	26.5	1.4	13.7	9.9	5.6	54.0	111.1
Tomatoes, Florida (lb)							
1973 .....	13.6	.5	4.8	3.0	11.0	16.6	49.5
1972 .....	14.2	.5	4.4	2.9	10.4	15.7	48.1
Lettuce, Calif. (head)							
1973 .....	7.8	.3	7.9	6.1	2.9	16.8	41.8
1972 .....	3.3	.3	6.9	5.9	2.2	14.6	33.2
Potatoes (10-lb. bag)							
1973 .....	49.8	4/	22.1	12.6	3.9	34.1	122.5
1972 .....	29.0	4/	19.1	12.0	1.5	27.0	88.6
Applesauce (303 can)							
1973 .....	5.3	.3	12.2	.9	1.8	5.4	25.9
1972 .....	2.9	.3	10.7	.9	2.1	5.9	22.8
Orange juice (46-ounce can)							
1973 .....	13.0	.9	19.1	6.8	5/	9.5	49.3
1972 .....	16.2	.9	17.9	6.0	5/	8.6	49.6
Orange juice, frozen (6-ounce can)							
1973 .....	8.2	.5	6.5	1.1	3.2	5.6	25.1
1972 .....	9.2	.5	6.0	1.1	3.0	5.2	25.0
Tomatoes, Calif. whole (303 can)							
1973 .....	2.4	.5	13.9	2.2	1.1	4.6	24.7
1972 .....	2.2	.5	13.3	2.2	.6	4.0	22.8
Tomato catsup, Calif. (14-ounce bottle)							
1973 .....	3.6	.7	15.6	2.9	3.5	5.4	31.7
1972 .....	3.1	.7	15.0	2.8	3.4	5.2	30.2

Continued

Table 12.--Distribution of retail price according to farm value and marketing function, 22 farm food products, 1972 and 1973 Continued.

Food item	Farm value 1/	Marketing functions					Retail price
		Assembly and pro- curement	Process- ing	Intercity transpor- tation	Wholesaling	Retailing 2/	
Potatoes, french fried: (9-ounce package)							
1973 .....	4.3	4/	8.5	1.0	1.0	2.4	17.2
1972 .....	2.5	4/	9.2	1.0	1.2	2.7	16.6
Bread, white (pound)							
1973 .....	6/4.1	.3	7/ 8.4	8/ .3	9.1	5.4	27.6
1972 .....	6/2.8	.3	7/ 7.7	8/ .3	9.0	4.6	24.7
Rice, long grain (pound)							
1973 .....	16.9	4/	9/ 9.2	-	-	4.7	30.8
1972 .....	9.3	4/	9/10.6	-	-	4.1	24.0
Salad and cooking oil (24-ounce)							
1973 .....	21.9	6.2	31.3	1.6	3.5	6.1	70.6
Margarine, (pound)							
1973 .....	14.0	3.5	11.8	.4	1.8	5.9	37.4
Vegetable shortening (3 pounds)							
1973 .....	48.8	13.0	36.4	1.6	5.5	5.3	110.6

1/ The farm value is the gross return to farmers for the quantity of farm products equivalent to the unit sold at retail minus imputed value of byproducts. Because of losses from processing, waste, and spoilage the farm value represents larger quantities than the retail unit.

2/ In-store costs only. Headquarters and warehousing expenses are included in wholesaling.

3/ Included in wholesaling.

4/ Included in farm value.

5/ Implicitly included in costs of other functions.

6/ Wheat only, other ingredients included in processing.

7/ Flour milling and bread baking.

8/ Flour only.

9/ Milling, packaging, transportation and wholesaling combined.

widely among items, reflecting differences in perishability, bulkiness, and the distance they are shipped. Costs of shipping meat, dairy items, broilers, and eggs, which are relatively dense in volume and of high value, account for only 2 to 3 percent of the retail selling price. But shipping costs for the fresh fruits and vegetables are 10 percent or more of the retail price.

Retail store margins for the 22 items ranged between 5 and 45 percent of the retail selling price but most were between 15 and 20 percent. Labor is by far the largest cost component: for most items making up from 50 to 60 percent of the store margin. Packaging costs including grocery bags, averaged 4 percent of the retail store margin but are higher for beef, which is cut and wrapped in the store, than for other products which in most instances are already packaged when they arrive at the store. Most other cost components are around 5 percent or less of the retail in-store margin.

Margins for most items increased at all levels of marketing in 1973 over 1972, reflecting an increase in the farm-retail spread for most food products. Processing or packing margins rose between 4 and 9 percent for 9 items, and around 15 percent for 4 items. Retail store margins increased between 4 and 11 percent for 7 items, and 15 to 21 percent for 5 items. Most of the increase in margins can be attributed to higher labor costs and other operating expenses.

While margins rose, increases in farm value accounted for most of the increase in retail prices of the items studied from 1972 to 1973. The percentage change in farm value for most items was greater than the percentage change in retail price. The farmer's share of the retail price of 13 of the items increased in 1973 over 1972, mainly as the result of the increases in farm values.

### Retail Store Margins<sup>2</sup>

Retail costs and profits were estimated for typical supermarket operations. About three-quarters of grocery store sales were made through supermarkets in 1973, and more data are available on their costs than on costs for other foodstores.

The first step in estimating the cost and profit components comprising retail margins for the individual foods was to estimate gross margins for each food item. This work was based on data published in "Chain Store Age" and "Progressive Grocer" trade journals, Cornell University reports of "Operating Results of Food Chains," Purdue University studies of independent retail store operations, and ERS price spread data series.<sup>3</sup> In-store gross margins for most food items were figured

using average retail prices collected by BLS. These prices are regularly used by ERS in deriving farm-retail price spreads.

Headquarters expense for food chains was not treated as part of the retail store margin and therefore some adjustments were made in gross margins to remove this expense item. Headquarters expense is included in the wholesaling margins along with warehousing and delivery costs.

Gross margins were also computed for major store departments, such as meat and produce, and for the total store to control the allocation of the in-store margin to individual items (table 13). The overall retail store gross margin was estimated to be 17.2 percent of sales for 1973.

### Cost and Profit Components

Cost and profit components of the gross margins were estimated in three basic steps for individual products using data from the previously mentioned sources and data generated by COSMOS (Computer Optimization and Simulation Modeling for Operating Supermarkets), a management tool developed by Case and Co., under contract for the National Association of Food Chains.

First, direct labor costs and packaging, which accounted for about 29 percent of the in-store retail margin, were allocated to individual products based on COSMOS data and a survey of chain store handling practices. COSMOS provided the data on handling time needed to perform the different tasks involved in moving products through supermarkets. These handling times were weighted by the practices used by some of the larger chains. Handling times were multiplied by typical wage rates for each type of work done to estimate the direct labor cost. Case and Co. also provided information for estimating packaging costs, equipment depreciation, and direct energy costs for individual products.

The second step involved allocating costs related to space and equipment (rent, utilities, insurance, taxes, depreciation, and repairs) to individual products. These costs were allocated on the basis of average space utilization and inventory turnover of departments and individual products in a typical supermarket. This allocation took into account the fact that the meat and produce departments have a lower density of product display than grocery products. Products selling more units in a given space have a higher turnover rate and consequently a lower unit cost as the cost of the space is divided by more units. Space-related costs for the average product account for 22 percent of the in-store margin.

Advertising, including promotion, accounting for 9 percent of the in-store margin, was allocated to individual items in the ratio of total advertising costs to store sales. This procedure recognizes that trading stamps are given on the basis of sales and much of the media advertising tends to influence sales of all products.

<sup>2</sup>Principal researchers were Terry Crawford and Gerald Feaster.

<sup>3</sup>The mention of company names in this study is for identification only and does not constitute endorsement by USDA over any companies not mentioned.

Table 13.--Estimated in-store gross margins, costs, and profits of supermarkets, by major departments, 1973 1/

Item	Meat	Produce	Dry grocery	Dairy <u>2/</u>	Frozen foods	Total store
	<u>Percent of sales</u>					
Labor .....	11.07	14.92	7.92	7.37	8.54	8.94
Direct .....	2.62	5.49	4.37	3.01	6.36	4.02
Departmental ....	5.72	5.47	1.23	1.13	1.37	2.38
General .....	1.96	2.92	1.77	2.71	.22	1.92
Fringe benefits .	.77	1.03	.55	.51	.59	.62
Packaging .....	1.49	.78	.50	.46	.84	.73
Repairs .....	.39	1.18	.26	.31	1.07	.39
Energy .....	.79	2.89	.33	.66	2.74	.74
Depreciation .....	.58	1.75	.39	.47	1.59	.58
Business taxes ....	.80	1.41	.56	.54	1.03	.68
Rent .....	.84	2.26	1.42	.54	1.34	1.24
Interest .....	.17	.25	.15	.20	.05	.16
Advertising <u>3/</u> ....	1.54	1.54	1.54	1.54	1.54	1.54
Other .....	1.85	2.91	1.58	2.46	.58	1.09
Profit before taxes .....	1.18	1.71	1.00	1.40	.35	1.10
Total .....	20.70	31.60	15.65	15.95	19.67	17.19

1/ In-store margins exclude warehousing and delivery costs and headquarters expense. 2/ Includes ice cream and other refrigerated items such as bakery products, fruit juices, and dips. 3/ Includes 0.05 cent for labor.

For each product, 1.5 percent of its retail price was allocated to advertising.

After accounting for direct labor costs, space-related costs, and advertising, the remaining 40 percent of the in-store margin representing indirect store labor, primarily wages and salaries of checkers and managers, interest expense, other costs, and profit was distributed to each product according to the share of the remaining store margin represented by each costs. Of the residual margin, 66 percent was allocated to labor, 2 percent to interest, 16 percent to other costs, and 16 percent to profit. While profit was a sixth of the residual margin, it made up 1.1 percent of total store sales.

The typical store showed an in-store margin of 17.2 percent of sales for 1973, compared with 17.5 percent a year earlier. Increased sales bolstered by price increases lowered the margin as a percent of sales but raised it in total dollars. The labor cost remained unchanged at 8.94 percent of sales, while advertising and promotional expense dropped to 1.54 percent from 1.80 percent in 1972. This savings plus reductions in other costs resulted in an increase in profit before taxes from 0.94 to 1.10

percent of sales although there was a slight drop in the total margin. Within the store, margins shifted—three departments showed decreases and two showed increases, in effect canceling each other out.

#### Distribution of Retail Prices for Individual Foods

##### Beef and Pork (tables 14 and 15)<sup>4</sup>

Retail beef prices averaged \$1.35 per pound in 1973. Returns to farmers for the live animal equivalent to a retail pound of meat amounted to 90 cents, two-thirds of the retail price.

The farm-car carcass spread for beef averaged 8.4 cents per retail pound in 1973. Subtracting estimated farmer marketing costs of 1.5 cents lowered the spread to 6.9 cents. The cost of transporting meat from the packing plant to the city where consumed—1.1 cent—was

<sup>4</sup>Principal researcher Lawrence Duewer.

subtracted from the spread leaving a processing margin of 5.8 cents, about 9 percent higher than in 1972. The processing margin includes the cost for everything that occurs from the time the packer-slaughterer purchases the cattle until the carcasses are sides or quarters, ready to be shipped from the packing plant. The retail store margin for beef amounted to 28 cents in 1973 compared with about 26 cents in 1972.

Retail pork prices averaged \$1.10 per pound in 1973. Returns to farmers for the live animal equivalent to a retail pound averaged 72 cents, about two-thirds of the retail price.

The farm-wholesale spread for pork averaged 15.8 cents per retail pound in 1973, the lowest it had been since 1966. Farmer marketing costs were estimated to be 1.8 cents, and the cost of transporting meat from the processing plant to the city where consumed was estimated at 1.1 cents, leaving a processing margin of 12.9 cents. The processing margin includes the costs from the time the packer-slaughterer purchases the hogs until the carcasses are processed into primals, smoked hams, cured bacon, and other products ready to leave the plant. The retail store margin for pork amounted to 20.1 cents in 1973 compared with 16 cents in 1972.

Estimates of components of the processing margin were based on data obtained from a study, by Food Management Inc., of packer costs by size of plant in six regions of the country. This firm used data from a survey of packing plants and knowledge gained as a consultant to the meat and food industry. Efficiency and costs and profits vary greatly among plants due to plant size, age, and location. Data were weighted to obtain a U.S. average by the numbers and sizes of plants by region obtained from data collected by the Animal and Plant Health Inspection Service, USDA. Survey data for pork were for slaughtering and cutting only and therefore had to be adjusted to include the processing activities such as smoking hams and curing bacon, since the adjusted farm-wholesale spread for pork includes processing. Cost data for meat packing and meat processing firms reported by the American Meat Institute (AMI) in *Financial Facts* were used to adjust the cost estimates for pork to include the processing activities. Profit estimates were based on information from *Moody's Industrial Manual* and AMI's *Financial Facts*. All data were adjusted to the level of the processing margin derived from price spreads for beef and pork.

Procedures explained above differ from those used to obtain estimates for 1972. The improved sources of data used for 1973, while providing more reliable estimates, make comparisons of cost component of margins data between the two years very difficult. For example, labor costs for 1973 cover only direct line operations while 1972 labor estimates included administration salaries, shipping and selling department salaries, and other indirect salary expenses.

#### Broilers (table 16)<sup>5</sup>

Costs of assembling, processing (slaughter and eviscerating), transporting, and distributing were estimated for ready-to-cook, ice-packed broilers. Allowance was made for grading loss costs.

Sources of data used in estimating cost and profit components were: (1) previously published research reports; (2) preliminary results from ongoing ERS and State cooperative agreement studies; (3) contacts with a limited number of plant managers; (4) trade association data on intercity transportation costs, and; (5) contacts with extension personnel.

Broiler assembly and processing costs rose from 1972 levels, and retail store margins widened. Increased wage rates were primarily responsible. Rising energy and package costs late in 1973 had little influence on yearly average costs. Broiler assembly and processing costs have been trending upward for several years as increased input costs, particularly labor, exceeded the small gains in efficiency which occurred.

#### Eggs (table 17)<sup>5</sup>

Costs estimated for assembling, processing (grading, cartoning, packing), transporting, and distributing eggs include handling losses. Sources of data used in estimating costs and profit components were: (1) recent State and industry studies; (2) preliminary results from ongoing ERS and State cooperative agreement studies; (3) intercity transportation costs from the Market News Service, and; (4) contacts with extension personnel.

Egg assembly and processing costs rose from 1972 levels and retail store margins averaged slightly wider. Increased wage rates were important influences in increasing 1973 costs. Packaging cost also raised 1973 processing costs. Energy cost increases in late 1973 did not influence yearly average costs much. Egg assembly and processing costs have been rising in recent years as increased input costs began to exceed gains in efficiency.

#### Grade A Milk Sold Through Stores (table 18)<sup>6</sup>

The retail price of a half-gallon of milk averaged 65.4 cents in 1973, 5.6 cents more than in 1972. Higher farm prices raised the farm value of milk 3.8 cents to 33.2 cents.

An increase in procurement and assembly costs, determined from accounting records of producer cooperatives and from Federal order market data, was due largely to higher transportation costs. The farmer pays about 1.5 cents of the transportation cost and cooperatives pay the remaining procurement and assembly cost of about 1.0 cent. The cost of a minor

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<sup>5</sup>Principal researcher George Rogers.

<sup>6</sup>Principal researcher Charles Shaw.

portion of assembly and procurement services performed by the processor is included in the processing margin.

Costs and margins of milk dealers, obtained from accounting records of processors and distributors by contract with a private accounting and consulting firm, were prorated to processing and wholesaling based on average costs of 30 firms. Both wholesaling and processing margins increased in 1973, reflecting higher operating expenses and a substantial increase in profits. Profits were obtained directly from the data but "other" cost is a residual. These data are for calendar year 1973, and it was only during the last quarter of this period that prices and margins showed marked increases. While other margins increased, the retail store margin declined 1.4 cents to 5.1 cents or only 8 percent of the retail price.

#### Butter (table 19)<sup>7</sup>

The retail price of butter averaged 91.6 cents per pound in 1973, 4.5 cents higher than in 1972. Over two-thirds of the selling price consisted of the farm value of butterfat in 1 pound of butter.

Costs of hauling milk used in butter manufacturing amounted to 2.7 cents and other procurements costs 0.5 cent per pound of butter produced in 1973. Manufacturing costs for butter amounted to 5.1 cents and wholesaling costs, 3.4 cents. These estimates are based on 1972 and 1973 data from cooperatives and plants accounting for more than one-third of the total butter produced. The 1972 data were updated to 1973 by using indexes of marketing costs maintained by ERS. Costs are a weighted average of the handling methods consisting of butter that is printed and packaged directly from the churn (soft printing) and butter that moves in bulk to wholesalers (hard printing). Wholesaling costs include all intercity transportation costs but only the proportionate share of the cost of other functions performed separately from manufacturing.

Butter production and the number of plants making butter continued downward last year. Production dropped to 918.6 million pounds, 17 percent below 1972. There were 422 plants making butter in 1973, 53 less than in the previous year. Butter manufacturers were in a depressed state during much of 1973, suffering from rising costs and an inability to procure, manufacture, and sell an adequate volume. Production per plant decreased slightly last year, an unusual situation which affected unit costs. However, the larger plants apparently continued to produce an increasing proportion of butter, especially soft-printed butter.

#### Fruits and Vegetables<sup>8</sup>

Retail prices in 1973 increased for 10 of the 11 fresh and processed fruits and vegetables studied. Price

increases ranged from less than 0.5 percent for frozen concentrated orange juice to 38 percent for fresh potatoes. For most commodities, retail price increased more for the fresh than the processed form. For example, the retail price for fresh potatoes increased 38 percent and frozen french fries, 4 percent; fresh apples increased 24 percent and canned applesauce, 14 percent; and fresh oranges rose 13 percent and frozen concentrated orange juice, 0.4 percent.

Farm value increased in 1973 for all products except fresh tomatoes and processed orange juice. Increases ranged from 9 percent for canned tomatoes to 136 percent for lettuce. Marketing margins also increased in 1973 for all products except frozen french fried potatoes. Assembly and procurement costs and intercity transportation costs increased slightly or remained the same as in 1972. Processing and retailing margins increased for most fruits and vegetables.

The distribution of the retail price among the various marketing functions and farm value ranged widely for different items in 1973 (table 12). However, there were some similarities.

Farm value's share of the retail price was between 19 and 27 percent for over half of the items in 1973, including fresh tomatoes, lettuce, oranges, canned orange juice and applesauce, and frozen french fried potatoes. It accounted for about 10 percent of the retail price of canned tomatoes and catsup. The farmer's share of retail price was higher in 1973 for five items, and smaller for three items, and the same for two items.

The processor's share of the retail price was larger for canned and frozen products than for fresh items. Packing costs took from 11 to 20 percent for most fresh items and processing costs took nearly 50 percent or more for canned and frozen items. Packing cost's share of each fresh item in 1973 was 2 to 4 percentage points less than in 1972. The share declined from 1 to 6 percentage points for each processed item except frozen concentrated orange juice.

Intercity transportation took from 6 to 8 percent of the retail price of fresh apples, oranges, and tomatoes, 10 percent for fresh potatoes, and 15 percent for lettuce. Transportation's share was from 3 to 6 percent for frozen orange juice, frozen potatoes, and canned applesauce, 9 percent for processed tomatoes, and 14 percent for canned orange juice. Transportation's share of the retail price changed very little from 1972 for most items.

The retailer's share of the retail price was largest for fresh products, ranging from 28 to 45 percent in 1973. The share ranged from 17 to 22 percent in 1973 for all processed products except frozen french fried potatoes. The retailer's share in 1973 was from 1 to 6 percentage points larger than in 1972 for five items, 2 to 5 points smaller for five items, and unchanged for one item. Estimates of costs and margins for fruits and vegetables are based primarily on data for the 1972/73 crop year obtained from surveys of firms and various other

<sup>7</sup> Principal researcher William Jones.

<sup>8</sup> Principal researchers were N.A. Wynn and Joseph Podany.

sources. These data were updated and adjusted to a calendar year using published prices and cost indexes of labor rates and various other costs and volume data on the proportion of the crop reaching the consumer during the year.

#### **Fresh Apples (table 20)**

The U.S. average retail price of a 3-pound bag of apples was 87.3 cents in 1973, 24 percent higher than a year earlier. The farm value averaged 30.4 cents or 35 percent of the retail price, the same share received in 1972. Retailing was the most costly marketing function, averaging 28.1 cents in 1973, 10 cents more than in 1972. The retailing share of the consumer's dollar increased from 26 percent in 1972 to 32 percent in 1973. Packing costs, consisting largely of labor and packaging, changed little in 1973 but declined as a proportion of the retail price.

#### **Applesauce (table 21)**

Retail applesauce prices averaged 25.9 cents for a No. 303 can in 1973, about 3 cents more than in 1972. The farm value of apples used per No. 303 can nearly doubled to 5.3 cents and accounted for over half the increase in the retail price.

The estimated margins for retailing and wholesaling applesauce declined slightly in 1973 from 1972. In contrast, the processor's margin, which is a residual derived from the f.o.b. price minus the farm value, increased 14 percent over 1972. Based on surveys of processing costs in 1970 and 1973, packaging is by far the largest cost, amounting to over 5 cents per No. 303 can.

#### **Fresh Oranges (table 22)**

The retail price of California navel and valencia oranges averaged \$1.25 per dozen in 1973, 14 cents higher than in 1972. About half of this increase went to the grower, raising the farm value to 32.9 cents in 1973. Packing and retailing margins increased about 3 cents each, while wholesaling costs rose 1.7 cents.

The retail margin accounted for 45 percent of the retail price of oranges in 1973, slightly less than in 1972. Packing and wholesaling costs were each about 15 percent of the retail price in both years.

#### **Orange Juice (tables 23 and 24)**

Both farm value and retail price of single strength orange juice in 46-ounce cans declined between 1972 and 1973. Farm value declined by 20 percent from 16 to 13 cents, but the retail price declined by less than 1 percent. Prices for processing oranges were depressed in 1972-73 because of a very large crop. The farm value of oranges for frozen concentrate also decreased, averaging 11 percent less in 1973.

Retail prices for frozen juice rose by less than 1 percent. With farm prices down and retail prices steady, margins of processors, wholesalers, and retailers increased. Both the processing and retailing margins increased by 8 to 10 percent.

#### **Fresh Tomatoes (table 25)**

The U.S. average retail price of Florida winter and early spring tomatoes averaged 49.5 cents a pound in 1973, 1.4 cents higher than a year earlier. All of the retail price increase went for higher marketing charges. The farm value declined 0.6 cent a pound to 13.6 cents.

The retail margin accounted for about one-third of the retail price in both 1972 and 1973. Farm value took 27 percent of the retail price in 1973, down from 30 percent in 1972. The share of the retail price going to wholesaling and processing each increased slightly in 1973, to 28 percent and 11 percent, respectively.

#### **Canned Tomatoes and Catsup (tables 26 and 27)**

About 80 percent of the tomato crop for processing is produced in California. Since nearly all of the crop is produced under contract for processing, most producers have a market for the crop before it is planted. Farm prices are more stable for tomatoes than for oranges for processing. The farm value rose 9 percent for tomatoes used for whole canned tomatoes and 10 percent for tomatoes used for catsup in 1973.

From 1972 to 1973 tomato processors increased their margin by about 4 percent, or less than the increased cost for the period. Thus profits were reduced.

The retailer's margin increased by 15 percent on a No. 303 can of tomatoes between 1972 and 1973 and 4 percent for catsup.

#### **Lettuce (table 28)**

The U.S. average retail price of California lettuce was 41.8 cents a head in 1973, 8.6 cents higher than a year earlier. More than half of the retail price increase was returned to the grower. Farm value increased from 3.3 cents a head in 1972 to 7.8 cents in 1973. The farm value accounted for 19 percent of the retail price in 1973, up from 10 percent a year earlier. The retail margin, the largest marketing function, accounted for 40 percent of the retail price in 1973 compared with 44 percent in 1972. The share of the retail price going to wholesaling and processing both declined slightly in 1973.

#### **Potatoes (Fall), Fresh (table 29).**

Responding to a smaller supply of fresh potatoes in the first half of 1973, the U.S. average retail price of a 10-pound bag of fresh fall potatoes averaged \$1.22 in 1973, 34 cents or 38 percent higher than a year earlier. Over two-thirds (21 cents) of the retail price increase was returned to the grower. Farm value averaged 49.8

cents in 1973 and represented 41 percent of the retail price, up from 33 percent in 1972. The absolute margin for each marketing function increased slightly in 1973 but the share of the retail price taken by each marketing function declined slightly. Market shares of the retail price in 1973 were: retailing, 28 percent; wholesaling, 13 percent; and processing, 18 percent.

#### French Fried Potatoes (table 30)

The value of potatoes for processing increased by 72 percent from 1972 to 1973, due mainly to a short crop. This increased cost squeezed the processing, wholesaling, and retailing margins for a 9-ounce package of frozen french fried potatoes. The retailer's margin dropped by 11 percent, the wholesaler's by 17 percent, and the processor's by 8 percent. The retail price rose about 4 percent to 17.2 cents.

#### Rice (table 31)<sup>9</sup>

The retail price of regular long grain rice averaged 30.8 cents per pound in 1973 compared with 25 cents in 1972, an increase of 28 percent. Influenced by world demand, which pulled up domestic milled rice prices, the farm value of rice rose more than the retail price in 1973 and the farm-retail spread declined 0.9 cent per 1-pound package. The retailing spread widened over 0.5 cent a pound in 1973 but the combined milling, packaging, and wholesaling margin, accounting for the remaining farm-retail spread, narrowed nearly 1.5 cents.

#### Bread (White pan) (table 32)<sup>9</sup>

The retail price of a 1-pound loaf of bread in 1973 averaged 27.6 cents, 2.9 cents above the 1972 price. Due to restraints on wholesale and retail prices of bread during most of the year and the freedom of farm value and flour prices to move up, the distribution of the bread price changed considerably between 1972 and 1973. Wheat and flour prices rose substantially in 1973 for the first time in many years, reflecting the strong demand for wheat. The farm value of the wheat used in a loaf of bread increased from 2.9 cents in 1972 to 4.1 cents.

The cost for assembling wheat to the flour mill, mainly transportation, rose 10 percent from 1972 to 0.3 cent per loaf of bread in 1973. Costs of milling wheat, represented by the flour miller's spread, rose from 0.7 cent in 1972 to 1.0 cent in 1973. This was the largest percentage increase for any function. Costs of transporting flour from the miller to the baker amounted to about 0.3 cent per loaf of bread in 1973, slightly less than a year earlier. This decrease possibly reflects a shift of milling operations closer to flour

demand centers, more bulk flour shipments, lower-rate modes of transportation, and larger volume purchases of flour by bakers. The costs of baking and wholesaling bread, including non-flour ingredients, amounted to 16.5 cents in 1973, only slightly more than in 1972. The retailer's spread rose 0.8 cent to 5.4 cents in 1973.

Based on changes in indexes of hourly earnings and other costs, most of the increase in the margins for baking and distributing bread can be attributed to higher labor costs and the cost of non-flour ingredients. Estimated profits for assembling wheat and flour milling were higher in 1973 than in 1972 while profits of baker-wholesalers declined, possibly because they were unable to adjust margins for increased costs during economic controls.

#### Vegetable Oil Products (tables 33, 34, 35)<sup>10</sup>

Cost and profit components for 1973 were estimated for three vegetable oil products—salad and cooking oil, margarine, and vegetable shortening. Soybean oil constitutes a large portion of the fats and oils used in the manufacture of these products. For example, approximately 80 percent of the oil used in making margarine is soybean oil. Because of this we used costs of milling and processing soybean oil to represent all of the oils used in the manufacture of these oil products.

Costs associated with crushing soybeans and processing the oil were obtained from oil mills, equipment manufacturers, and consultants. These data were considered representative of the U.S. soybean industry, both in terms of size of mill and costs incurred. The costs of crushing a bushel of soybeans were distributed to oil and meal in proportion to the value of output of each product in 1973, estimated from yield data reported by the Bureau of Census and average prices of oil meal. Crushing costs per pound of oil were then multiplied by the quantity of oil in each product to obtain the costs for consumer-size packages.

The 1972/73 crop year was far from being typical as far as the prices of soybeans and other oilseeds were concerned. Shortly after harvest, a world protein shortage drove up soybean prices. This resulted in unusually large margins in certain areas of the soybean marketing chain. Country shippers benefited from this rapid rise in soybean prices, therefore, the assembling and storing segment shows a wider margin than usual. The substantial rise in the price of soybeans already in the hands of crushers and processors resulted in larger margins for oil products. The makeup of the data also contributes to larger margins in such times of rapidly rising prices since farm value is a weighted figure whereas all the other figures used are simple averages.

In 1973, the retail price of a 24-ounce bottle of salad and cooking oil averaged 70.6 cents. The farm value of

<sup>9</sup> Principal researcher J.C. Eiland.

<sup>10</sup> Principal researcher Harry Doty.

the soybean oil represented in 24 ounces of salad and cooking oil was 21.9 cents. Thus, the farm-retail spread is 48.7 cents. Most of this spread is in milling and processing, with over 9 cents in packaging. The unallocated figure is high due to the rise in soybean prices. Most of the labor and energy costs were in the processing operations which take place after crushing.

The retail price of margarine in 1973 was 37.4 cents per pound and the farm value was 14 cents, most of which was attributable to the cost of oil. The spread between farm value and retail price was 23.4 cents. Packaging accounted for almost 2 cents of this spread.

Most of the labor and energy costs were associated with further processing rather than crushing. The 7 cents in the "other" cost category comes primarily from costs of ingredients other than oil.

Vegetable shortening had a retail price of 110.6 cents per 3-pound can in 1973 while its farm value was 48.8 cents. Thus, the farm-retail spread was 61.8 cents. A packaging cost of 11.3 cents is part of this spread. The unallocated figure is large partly because of the costs shown are for crushing only. Most of the remainder is due to the rapid rise in the price of soybeans after they were in the hands of the processor.

Table 14.--Beef (Choice): Components of margins per pound at retail, 1973

Costs and profit	Farm value	Marketing functions				Retail price
		Assembly of live animal	Pro- cessing	Whole- saling	Retail- ing	
		Cents				
Labor .....	-	-	1.5	-	15.9	-
Packaging .....	-	-	0.2	-	2.8	-
Transportation ...	-	-	0.6	<u>1/</u> 1.1	-	-
Business taxes ...	-	-	0.1	-	1.0	-
Depreciation .....	-	-	0.3	-	.5	-
Rent .....	-	-	0.2	-	.7	-
Repairs .....	-	-	0.2	-	.3	-
Advertising .....	-	-	0.1	-	2.1	-
Interest .....	-	-	0.3	-	.2	-
Energy .....	-	-	<u>2/</u> 0.2	-	.6	-
Other .....	-	-	1.6	-	2.5	-
Profit .....	-	-	0.5	-	1.7	-
Unallocated .....	-	-	-	8.9	-	-
Total	89.9	1.5	5.8	10.0	28.3	135.5

1/ Intercity.2/ Includes all "energy" and water.

Table 15.--Pork: Components of margins per pound at retail, 1973

Costs and profit	Farm value	Marketing functions				Retail price
		Assembly of live animal	Pro- cessing	Whole- saling	Retail- ing	
		Cents				
Labor .....	-	-	5.5	-	10.6	-
Packaging .....	-	-	0.9	-	.7	-
Transportation ...	-	-	0.6	<u>2/</u> 1.1	-	-
Business taxes ...	-	-	0.1	-	.8	-
Depreciation .....	-	-	0.3	-	.8	-
Rent .....	-	-	<u>1/</u>	-	1.1	-
Repairs .....	-	-	0.3	-	.5	-
Advertising .....	-	-	0.2	-	1.3	-
Interest .....	-	-	0.3	-	.2	-
Energy .....	-	-	<u>3/</u> 0.4	-	1.1	-
Other .....	-	-	3.4	-	1.7	-
Profit .....	-	-	0.9	-	1.3	-
Unallocated .....	-	-	-	2.4	-	-
Total	71.5	1.8	12.9	3.5	20.1	109.8

1/ Less than 0.1 cent.2/ Intercity.3/ Includes all "energy" and water.

Table 16.--Broilers: Components of margins per pound at retail, 1973

Costs and profit	Farm value <u>1/</u>	Marketing functions				Retail price
		Assembly	Processing	Wholesaling	Retailing	
			<u>Cents</u>			
Labor .....	-	-	3.2	-	6.9	-
Packaging .....	-	-	.8	-	.6	-
Transportation ...	-	<u>2/</u> 1.2	-	<u>4/</u> 1.1	-	-
Business taxes ...	-	-	.1	-	.5	-
Depreciation .....	-	-	.3	-	.3	-
Rent .....	-	-	<u>3/</u>	-	.5	-
Repairs .....	-	-	.3	-	.2	-
Advertising .....	-	-	-	-	.9	-
Interest .....	-	-	.1	-	.1	-
Energy .....	-	-	.4	-	.4	-
Other .....	-	-	1.0	-	1.2	-
Profit .....	-	-	.5	-	.8	-
Unallocated .....	-	-	-	<u>5/</u> 2.9	-	-
Total .....	35.3	1.2	6.7	4.0	12.4	59.6

1/ Estimated live value converted to ready-to-cook equivalent. Few sales of live broilers occur because most production is under contract to integrated firms.

2/ Includes labor, fuel, truck costs, and profit.

3/ Less than 0.1 cent.

4/ Intercity.

5/ Includes local transportation.

Table 17.--Eggs, Grade A or AA large: Components of margins per dozen at retail, 1973

Costs and profit	Farm : value	Assembly	Marketing functions : Processing	Wholesaling	Retailing	Retail price
			Cents			
Labor .....	-	-	2.0	-	5.3	-
Packaging .....	-	-	3.4	-	.3	-
Transportation ..	-	<u>1/</u> 0.9	-	<u>2/</u> 1.2	-	-
Business taxes ..	-	-	.4	-	.3	-
Depreciation ....	-	-	.4	-	.1	-
Rent .....	-	-	-	-	.1	-
Repairs .....	-	-	.1	-	.1	-
Advertising .....	-	-	.1	-	1.2	-
Interest .....	-	-	.1	-	.2	-
Energy .....	-	-	.2	-	.2	-
Other .....	-	-	.8	-	1.8	-
Profit .....	-	-	.6	-	1.1	-
Unallocated .....	-	-	-	<u>3/</u> 2.8	-	-
Total .....	54.4	.9	8.1	4.0	10.7	78.1

1/ Includes labor, fuel, truck costs, and profit.

2/ Intercity.

3/ Includes local transportation.

Table 18.--Grade A whole milk sold through retail stores: Components of margins per half gallon at retail, 1973

Costs and profit	:	Farm value	Marketing functions				
			Procurement assembly <u>1/</u>	& Process- ing	Wholesale ing <u>2/</u>	Retail ing	Retail price
			Cents				
Labor .....	:	-	.34	3.4	7.5	2.9	-
Packaging .....	:	-	-	2.9	-	.2	-
Transportation ..	:	-	1.81	-	1.8	-	-
Business taxes ..	:	-	.03	.4	.6	.2	-
Depreciation ....	:	-	.05	.9	.3	.1	-
Rent .....	:	-	.02	.3	.1	.1	-
Repairs .....	:	-	.03	.9	.3	.1	-
Advertising .....	:	-	.01	-	<u>3/</u> .7	1.0	-
Interest .....	:	-	.04	.1	<u>4/</u>	<u>4/</u>	-
Energy .....	:	-	.02	.6	<u>4/</u>	.1	-
Profit .....	:	-	-	1.0	1.1	.2	-
Other .....	:	-	.16	1.1	.6	.2	-
Total .....	:	33.2	2.51	11.6	13.0	5.1	65.4

1/ Includes laboratory and farm-quality field service, pickup at the farms, transportation, receiving and reloading as necessary, and final delivery to the processor.

2/ Performed by the processor.

3/ Dairy products, especially milk, are also advertised through cooperative ventures separate from other functions. It is not included in this estimate.

4/ Less than 0.1 cent.

Table 19.--Butter: Components of margins per pound at retail, 1973

Costs and profit	Farm value <u>1/</u>	Marketing functions					
		Procurement		Manufac- turing <u>4/</u>	Whole- saling <u>5/</u>	Retail- ing <u>6/</u>	Retail price
		Contract hauling <u>2/</u>	Other <u>3/</u>				
			Cents				
Labor .....	-	-	0.29	1.78	.43	7.8	-
Packaging .....	-	-	-	1.46	.65	.2	-
Transportation..	-	2.67	-	.07	1.40	-	-
Business taxes..	-	-	.02	.08	.07	.4	-
Depreciation ..	-	-	.04	.26	.06	.2	-
Rent .....	-	-	.01	.08	.06	.2	-
Repairs .....	-	-	.03	<u>7/</u> .18	.04	.1	-
Advertising ....	-	-	-	<u>8/</u> .04	.04	1.4	-
Interest .....	-	-	-	.09	.04	.3	-
Energy .....	-	-	.02	.32	.03	.3	-
Other .....	-	-	.11	<u>9/</u> 1.05	.08	4.0	-
Profit .....	-	-	-	.28	.51	2.1	-
Total .....	62.9	2.67	.52	5.13	3.41	17.0	91.6

1/ Value of butterfat in butter at the plant less producer hauling charge.

2/ Of contract hauling costs, 2.26 cents was paid by producers and 0.41 cent by manufacturers.

3/ Costs to plants for hauling milk from farms in plant-owned trucks, laboratory and field service to producers, and operating, receiving and reload stations.

4/ In the manufacturing process, fluid buttermilk was produced but all costs were charged to butter.

5/ Includes prorated costs incurred by the wholesalers in printing and packaging butter into 1 pound cartons of quarter pound wraps for sale to retailers, assuming 35 percent of the printed butter was hard printed by wholesalers and 65 percent was soft printed by manufacturers.

6/ Includes retailer warehousing and distribution functions.

7/ Excludes plant labor used to repair buildings and equipment, which is included under labor.

8/ Dairy products are also advertised through cooperative ventures of manufacturers and producers. This cost is not included.

9/ Other ingredients (salt and color), general plant and office supplies, insurance, utilities, professional and other services, travel and related expenses, and other costs. Costs of seasonal storage are not included.

Table 20.--Apples: Components of margins per 3-pound bag at retail, 1973

Costs and profit	Farm value 1/	Marketing functions				Retail price 3/
		Storage 2/	Packing	Whole- saling	Retail- ing	
		Cents				
Labor .....	-	-	5.1	-	16.6	-
Packaging .....	-	-	4/ 4.8	-	.6	-
Transportation .....	-	-	5/ .4	6/ 5.8	-	-
Business taxes .....	-	-	.2	-	1.1	-
Depreciation .....	-	-	.4	-	.5	-
Rent .....	-	-	.1	-	.7	-
Repairs .....	-	-	.2	-	.4	-
Advertising .....	-	-	7/	-	1.3	-
Interest .....	-	-	.4	-	.3	-
Energy .....	-	-	.2	-	.9	-
Other .....	-	-	8/ 1.7	-	3.5	-
Profit .....	-	-	9/ 1.1	-	2.2	-
Unallocated .....	-	-	-	9/ 5.9	-	-
Total .....	30.4	2.5	14.6	11.7	28.1	87.3

1/ Derived from SRS U.S. fresh apple prices minus the transportation cost from grower to packer. 2/ Regular (RA) and controlled atmosphere (CA) storage charges weighted by regional RA and CA storage statistics, adjusted by the proportion of the fresh pack entering storage. 3/ Average of BLS monthly prices weighted by unloads in 41 cities. 4/ Includes costs for the master carton, trays, bags, wrappers, liners, glue, and staples. 5/ Hauling from orchard to packinghouse or storage facility. 6/ Weighted average from production areas to 7 major cities. 7/ Less than 0.1 cent. 8/ Includes office, selling, inspection fees, insurance, waxing and fungicide supplies. 9/ Residual.

Table 21.--Applesauce: Components of margins per 303 can, 1973

Costs and profit	: Farm : value : <u>1/</u>	Marketing functions			: Retail : price : <u>2/</u>
		: Processing	: Wholesaling	: Retailing	
		Cents			
Labor .....	-	2.4	-	2.9	-
Packaging .....	-	3/ 5.3	-	.2	-
Transportation ...	-	4/ .3	5/ .9	-	-
Business taxes ...	-	.1	-	.2	-
Depreciation .....	-	.3	-	.1	-
Rent .....	-	.5	-	.4	-
Repairs .....	-	.2	-	.1	-
Advertising .....	-	.1	-	.4	-
Interest .....	-	.3	-	.1	-
Energy .....	-	.3	-	.1	-
Other .....	-	6/ 1.5	-	.5	-
Profit .....	-	1.2	-	.4	-
Unallocated .....	-	-	7/ 1.8	-	-
Total .....	5.3	12.5	2.7	5.4	25.9

1/ Estimated from SRS prices of apples going to processing using a conversion factor of 64.5 cases of applesauce (24/No. 303 cans) per ton of apples. 2/ Average of BLS prices for Detroit and Pittsburgh. 3/ Includes costs for cans, cardboard containers, labels, and other supplies. 4/ From orchard to processing plant. 5/ Weighted average applesauce rail rates between major production and consumption centers. 6/ Includes selling costs, and insurance. 7/ Residual.

Table 22.--Oranges, California Valencia and Navel, all sizes: Components of margins per dozen at retail, 1973

Costs and profit	: Farm : value : <u>1/</u>	Marketing functions			: Retail price : <u>2/</u>
		: Packing	: Wholesaling	: Retailing	
		<u>Cents</u>			
Labor .....	-	4.3	-	27.8	-
Packaging .....	-	3.6	-	2.3	-
Transportation .....	-	<u>3/</u> 1.5	<u>4/</u> 10.3	-	-
Business taxes .....	-	.9	-	2.1	-
Depreciation .....	-	.6	-	1.8	-
Rent .....	-	.1	-	2.5	-
Repairs .....	-	.4	-	1.2	-
Advertising .....	-	2.1	-	1.9	-
Interest .....	-	.1	-	.7	-
Energy .....	-	.3	-	3.1	-
Other .....	-	3.2	-	8.6	-
Profit .....	-	<u>5/</u> 1.2	-	5.0	-
Unallocated .....	-	-	<u>5/</u> 6.9	-	-
Total .....	32.9	18.3	17.2	57.0	125.4

1/ Derived from SRS crop season on-tree prices adjusted for harvesting costs.

2/ Average of BLS monthly prices for Chicago, Los Angeles, New York, and Seattle weighted by unloads. 3/ Hauling charge for shipments between grower and packer.

4/ Intercity transportation costs by most common carrier weighted by unloads in four cities. 5/ Residual.

Table 23. --Orange juice, Florida: Components of margins per 46-ounce can, 1973

Costs and profit	: Farm : value : <u>1/</u>	Marketing functions			: Retail price : <u>2/</u>
		: Processing	: Wholesaling	: Retailing	
		<u>Cents</u>			
Labor .....	-	3.0	-	4.4	-
Packaging .....	-	10.4	-	.3	-
Transportation .....	-	<u>3/</u> .9	<u>4/</u> 6.8	-	-
Business taxes .....	-	.1	-	.3	-
Depreciation .....	-	.5	-	.3	-
Rent .....	-	.3	-	1.0	-
Repairs .....	-	.4	-	.2	-
Advertising .....	-	.7	-	.8	-
Interest .....	-	.3	-	.1	-
Energy .....	-	.3	-	.2	-
Other .....	-	1.7	-	1.2	-
Profit .....	-	<u>5/</u> 1.4	-	.7	-
Unallocated .....	-	-	-	-	-
Total .....	13.0	20.0	6.8	9.5	49.3

1/ Estimated from the season average Florida price reported by the Florida Cannery Association (quoted at processor's door), using a conversion factor of 0.7780 box of oranges per case (12/46-ounce cans) of single strength orange juice, adjusted for transportation cost from grower to processor. 2/ Average of BLS prices for Detroit and Pittsburgh. 3/ Hauling charge from grower to processor. 4/ Intercity transportation costs by rail to Pittsburgh and Detroit. 5/ Residual.

Table 24. --Orange Juice, Florida frozen concentrated: Components of margins per 6-ounce can, 1973

Costs and profit	Farm value 1/	Marketing functions			Retail price 2/
		Processing	Wholesaling	Retailing	
		<u>Cents</u>			
Labor .....	-	.9	-	3.4	-
Packaging .....	-	2.2	-	.2	-
Transportation .....	-	3/ .5	4/ 1.1	-	-
Business taxes .....	-	5/	-	.2	-
Depreciation .....	-	.1	-	.2	-
Rent .....	-	.2	-	.1	-
Repairs .....	-	.2	-	.1	-
Advertising .....	-	.4	-	.4	-
Interest .....	-	.1	-	.1	-
Energy .....	-	.2	-	.3	-
Other .....	-	.7	-	.3	-
Profit .....	-	6/ 1.5	-	.3	-
Unallocated .....	-	-	6/ 3.2	-	-
Total .....	8.2	7.0	4.3	5.6	25.1

1/ Estimated from the season average price using a conversion factor of 0.4224 box of oranges per case (12/6-ounce cans), adjusted for the transportation costs from grower to processor. 2/ Average of BLS prices. 3/ Hauling charge from grower to processor. 4/ Intercity transportation costs by truck weighted by sales in New York, Atlanta, Chicago, Dallas, and Pittsburgh. 5/ Less than 0.1 cent. 6/ Residual.

Table 25.--Fresh tomatoes, Florida winter and early spring, all sizes and varieties: Components of margins per pound at retail, 1973.

Costs and profit	Farm value 1/	Marketing functions			Retail price 2/
		Packing	Wholesaling	Retailing	
		<u>Cents</u>			
Labor .....	-	1.6	-	10.4	-
Packaging .....	-	1.4	-	.5	-
Transportation .....	-	3/ .5	4/ 3.0	-	-
Business taxes .....	-	.1	-	.6	-
Depreciation .....	-	.4	-	.2	-
Rent .....	-	.1	-	.3	-
Repairs .....	-	.2	-	.2	-
Advertising .....	-	5/	-	.8	-
Interest .....	-	.1	-	.2	-
Energy .....	-	5/	-	.4	-
Other .....	-	.6	-	1.8	-
Profit .....	-	.3	-	1.2	-
Unallocated .....	-	-	6/ 11.0	-	-
Total .....	13.6	5.3	14.0	16.6	49.5

1/ Derived from SRS farm prices weighted by unloads in 41 cities. 2/ Average of BLS monthly prices weighted by shipments to New York, Atlanta, Chicago, Dallas, and Los Angeles. 3/ Includes charges from grower to packing plant. 4/ Intercity transportation rates weighted by unloads in New York, Atlanta, Chicago, Dallas, and Los Angeles. 5/ Less than 0.1 cent. 6/ Residual.

Table 26.--Canned whole tomatoes, California: Components of margins per No. 303 can, 1973.

Costs and profit	Farm value <u>1/</u>	Marketing functions			Retail price <u>2/</u>
		Processing	Wholesaling	Retailing	
		<u>Cents</u>			
Labor .....	-	2.3	-	2.7	-
Packaging .....	-	<u>3/</u> 6.2	-	.2	-
Transportation ....	-	<u>4/</u> .5	<u>5/</u> 2.2	-	-
Business taxes ....	-	.1	-	.2	-
Depreciation .....	-	.9	-	.1	-
Rent .....	-	na	-	.2	-
Repairs .....	-	na	-	.1	-
Advertising .....	-	na	-	.4	-
Interest .....	-	.4	-	.1	-
Energy .....	-	.1	-	.1	-
Other .....	-	na	-	.1	-
Profit .....	-	na	-	.4	-
Unallocated .....	-	3.9	<u>6/</u> 1.1	-	-
Total .....	2.4	14.4	3.3	4.6	24.7

na = not available. 1/ Estimated from the SRS California price of processing tomatoes using a conversion factor of 36.36 pounds of tomatoes per case (24/No. 303 cans) adjusted for transportation costs from grower to processor. 2/ Average of BLS monthly prices weighted by unloads in 39 cities. 3/ Includes costs for cases, cans, and labels. 4/ Based on an average charge of \$6.00 per ton. 5/ Intercity transportation costs weighted by population estimates for New York, Chicago, Atlanta, Dallas, and Los Angeles. 6/ Residual.

Table 27 .--Tomato Catsup, California fancy grade: Components of margins per 14-ounce bottle, 1973

Costs and profit	Farm value 1/	Marketing functions			Retail price 2/
		Processing	Wholesaling	Retailing	
		<u>Cents</u>			
Labor .....	-	2.4	-	2.55	-
Packaging .....	-	3/ 6.7	-	.17	-
Transportation .....	-	4/ .7	5/ 2.9	-	-
Business taxes .....	-	.1	-	.21	-
Depreciation .....	-	1.5	-	.19	-
Rent .....	-	na	-	.69	-
Repairs .....	-	6/	-	.13	-
Advertising .....	-	na	-	.49	-
Interest .....	-	.5	-	.04	-
Energy .....	-	.3	-	.16	-
Other .....	-	7/ 2.3	-	.44	-
Profit .....	-	na	-	.28	-
Unallocated .....	-	1.8	8/ 3.5	-	-
Total .....	3.6	16.3	6.4	5.35	31.7

na = not available. 1/ Estimated from the SRS California season average price of processing tomatoes using a conversion factor of 53.45 pounds of tomatoes per case (24/14-oz. bottles), adjusted for the transportation cost from grower to processor. 2/ Average of BLS monthly prices for San Francisco and Seattle. 3/ Includes costs for cases, bottles, and labels. 4/ Based on an average California charge of \$6.00 per ton. 5/ Intercity transportation costs weighted by population estimates for New York, Chicago, Atlanta, Dallas, and Los Angeles. 6/ Less than 0.1 cent. 7/ Sugar, vinegar, salt, lye and spices. 8/ Residual.

Table 28.--Lettuce, California: Components of margins per head at retail, 1973

Costs and profit	: Farm : value : <u>1/</u>	Marketing functions			: Retail : price : <u>2/</u>
		Processing	Wholesaling	Retailing	
		<u>Cents</u>			
Labor .....	-	2.61	-	9.7	-
Packaging .....	-	1.31	-	.6	-
Transportation ..	-	<u>3/</u> .30	<u>4/</u> 6.12	-	-
Business taxes ..	-	.10	-	.6	-
Depreciation .....	-	na	-	.2	-
Rent .....	-	na	-	.2	-
Repairs .....	-	na	-	.1	-
Advertising .....	-	na	-	.7	-
Interest .....	-	.01	-	.3	-
Energy .....	-	na	-	.3	-
Other .....	-	<u>5/</u> 1.61	-	2.4	-
Profit .....	-	<u>6/</u> 2.26	-	1.7	-
Unallocated .....	-	-	<u>6/</u> 2.88	-	-
Total .....	7.8	8.20	9.00	16.8	41.8

na = not available. 1/ Derived by subtracting costs for harvesting and field-packing from the f.o.b. price. 2/ Average of BLS monthly prices weighted by unloads in 41 cities. 3/ Includes hauling of empty cartons and stitching equipment and packed cartons to f.o.b. shipping point. 4/ Includes cooling and loading cost of 1.2 cents at point of production and intercity transportation costs to New York, Chicago, Atlanta, Dallas and Los Angeles of 4.9 cents. 5/ Includes insurance, telephone and telegraph, office sales salaries, brokerage fees, and allowances for damaged merchandise. 6/ Residual.

Table 29.--Potatoes, fresh: Components of margins per 10-pound bag, 1973

Costs and profit	: Farm : value : <u>1/</u>	Marketing functions			: Retail : price : <u>2/</u>
		Processing	Wholesaling	Retailing	
		<u>Cents</u>			
Labor .....	-	6.5	-	20.1	-
Packaging .....	-	<u>3/</u> 5.7	-	.8	-
Transportation ..	-	.3	12.6	-	-
Business taxes ..	-	.2	-	1.4	-
Depreciation .....	-	.9	-	.9	-
Rent .....	-	<u>4/</u>	-	1.2	-
Repairs .....	-	.5	-	.6	-
Advertising .....	-	.1	-	1.9	-
Interest .....	-	.4	-	.3	-
Energy .....	-	.4	-	1.5	-
Other .....	-	<u>5/</u> 2.2	-	3.3	-
Profit .....	-	1.5	-	2.1	-
Unallocated .....	-	3.4	<u>6/</u> 3.9	-	-
Total .....	49.8	22.1	16.5	34.1	122.5

1/ Includes on-farm storage, hauling to packing plant, and shrink. 2/ BLS monthly prices weighted by unloads in 41 cities. 3/ Includes cost of master container and polyethylene bags. 4/ Less than 0.1 cent. 5/ Includes administrative, brokerage, insurance, waxing, non-acceptance of shipped goods, and other unspecified costs. 6/ Residual.

Table 30.--Potatoes, frozen french fried: Components of margins per 9-ounce package, 1973

Costs and profit	: Farm : value <u>1/</u>	: Marketing functions			: Retail : price <u>2/</u>
		: Processing	: Wholesaling	: Retailing	
		<u>Cents</u>			
Labor .....	-	1.07	-	-	-
Packaging .....	-	<u>3/</u> 4.14	-	-	-
Transportation ..	-	<u>4/</u> .05	1.04	-	-
Business taxes ..	-	.05	-	-	-
Depreciation ....	-	.24	-	-	-
Rent .....	-	.03	-	-	-
Repairs .....	-	.12	-	-	-
Energy .....	-	.26	-	-	-
Unallocated .....	-	2.50	<u>5/</u> .96	2.4	-
Total .....	4.3	8.46	2.00	2.4	17.2

1/ Includes on-farm storage and hauling to processing plant. 2/ Average of BLS prices. 3/ Includes container materials as well as frying oil, caustic, and other additives. 4/ For moving raw product within plant and finished product to storage. 5/ Residual.

Table 31.--Rice (long grain): Components of margins per 1-pound package, 1973

Item	: Farm : value <u>1/</u>	: Marketing functions		: Retail : price
		: Milling, packaging, and wholesaling <u>2/</u>	: Retailing	
		<u>Cents</u>		
Labor .....	-	0.41	2.6	-
Packaging .....	-	.84	.2	-
Transportation .....	-	<u>3/</u> 1.56	-	-
Business taxes .....	-	.04	.2	-
Depreciation .....	-	.10	.1	-
Rent .....	-	.14	.4	-
Repairs .....	-	.07	.1	-
Advertising .....	-	.01	.5	-
Interest .....	-	.20	<u>4/</u>	-
Energy .....	-	.04	.1	-
Other .....	-	-	.3	-
Profit .....	-	-	.2	-
Unallocated .....	-	5.75	-	-
Total .....	16.9	9.16	4.7	30.8

1/ Based on an estimated farm price of \$11.47 per cwt. (derived from average prices for long and medium grain rice produced in the South reported by SRS and the price differential between long and medium grain milled rice) adjusted for value of byproducts (88.9% of farm price of rough rice charged to table rice) and an estimated yield of 60.2 pounds of table rice per cwt. of long grain rice. 2/ Cost components are for the milling function only. Based on Rice Milling Costs in the United States, 1971/72, updated by price indexes. 3/ About 85 percent represents intercity costs for packaged rice. 4/ Less than 0.1 cent.



Table 33.--Salad and Cooking Oil: Components of margins per 24-ounce bottle, 1973

Costs and profit	Farm value 1/	Marketing functions				Retail price
		Assembling & storage 2/	Milling & processing	Whole- saling 3/	Retail- ing	
Cents						
Labor .....	-	-	1.6	-	3.0	-
Packaging .....	-	-	9.2	-	.2	-
Transportation ..	-	-	4/ 1.3	1.6	-	-
Business taxes ..	-	-	na	-	.2	-
Depreciation ....	-	-	na	-	.2	-
Rent .....	-	-	na	-	.6	-
Repairs .....	-	-	.1	-	.1	-
Advertising .....	-	-	na	-	1.1	-
Interest .....	-	-	na	-	5/	-
Energy .....	-	-	.8	-	.1	-
Other .....	-	-	4.3	-	.3	-
Profit .....	-	-	na	-	.3	-
Unallocated .....	-	-	14.0	3.5	-	-
Total .....	21.9	6.2	31.3	5.1	6.1	70.6

na = not available

1/ Based on soybean prices received by farmers at the country elevator less imputed value of byproducts.

2/ Difference between price of soybeans, no. 1 yellow, Illinois country shipping points and farm value.

3/ Estimated at 5 percent of the retail price plus transportation charges from the mill.

4/ Based on "Carload Waybill Statistics" U. S. Department of Transportation for soybeans and soybean oil. 5/ Less than 0.1 cent.

Table 34.--Margarine: Components of margins per 1-pound package, 1973

Costs and profit	Farm value		Marketing functions				Retail price
	Oil : <u>1/</u>	Dry milk : solids	Assembling & : storage <u>2/</u>	Milling & : processing	Whole- : saling <u>3/</u>	Retail- : ing	
				<u>Cents</u>			
Labor .....	-	-	-	1.1	-	2.9	-
Packaging .....	-	-	-	1.8	-	.2	-
Transportation .	-	-	-	<u>4/</u> .7	0.4	-	-
Business taxes .	-	-	-	na	-	.2	-
Depreciation ...	-	-	-	na	-	.2	-
Rent .....	-	-	-	na	-	.2	-
Repairs .....	-	-	-	.2	-	.1	-
Advertising ....	-	-	-	na	-	.6	-
Interest .....	-	-	-	na	-	.1	-
Energy .....	-	-	-	.5	-	.2	-
Other .....	-	-	-	6.9	-	.7	-
Profit .....	-	-	-	na	-	.5	-
Unallocated .....	-	-	-	.6	1.8	-	-
Total .....	13.3	0.7	3.5	11.8	2.2	5.9	37.4

na = not available.

1/ Based on soybean prices received by farmers at the country elevator less imputed value of byproducts.

2/ Difference between price of soybeans, no. 1 yellow, Illinois country shipping points and farm value.

3/ Estimated at 5 percent of the retail price plus transportation charges from the mill.

4/ Based on "Carload Waybill Statistics" U. S. Department of Transportation for soybeans and soybean oil.

Table 35.--Vegetable Shortening: Components of margins per 3-pound can, 1973

Costs and profit	: Farm : value : <u>1/</u>	Marketing functions					: Retail : price
		: Assembling : storage	& Milling & : <u>2/</u> processing	: Whole- : <u>3/</u> saling	: Retail- : <u>4/</u> ing		
			Cents				
Labor .....	-	-	0.6	-	2.1	-	-
Packaging .....	-	-	11.3	-	.1	-	-
Transportation ..	-	-	<u>5/</u> 2.8	1.6	-	-	-
Business taxes ..	-	-	.1	-	.2	-	-
Depreciation ....	-	-	.2	-	.3	-	-
Rent .....	-	-	na	-	.9	-	-
Repairs .....	-	-	.2	-	.2	-	-
Advertising .....	-	-	na	-	.2	-	-
Interest .....	-	-	.5	-	<u>6/</u>	-	-
Energy .....	-	-	.3	-	.2	-	-
Other .....	-	-	.4	-	1.1	-	-
Profit .....	-	-	na	-	<u>6/</u>	-	-
Unallocated .....	-	-	20.0	5.5	-	-	-
Total .....	48.8	13.0	36.4	7.1	5.3	110.6	

na = not available.

1/ Based on soybean prices received by farmers at the country elevator less imputed value of byproducts.

2/ Difference between price of soybeans, no. 1 yellow, Illinois country shipping points and farm value.

3/ Cost components are for milling only.

4/ Estimated at 5 percent of retail price plus transportation charges from the mill.

5/ Based on "Carload Waybill Statistics" U. S. Department of Transportation for soybeans and soybean oil.

6/ Less than 0.1 cent.

Table 36.--Farm food products: Retail price, farm value, byproduct allowance, farm-retail spread, and farmer's share of retail price, third quarter 1974.

Product	Farm equivalent	Retail unit	Retail price	Gross farm value	Byproduct allowance	Net farm value	Farmer's share
Beef, Choice grade .....	2.28 lb. Choice cattle .....	Pound	141.0	99.1	7.8	91.3	49.7
Lamb, Choice grade .....	2.47 lb. lamb .....	Pound	143.2	89.6	12.7	76.9	66.3
Pork .....	1.97 lb. hog .....	Pound	107.4	70.1	7.3	62.8	44.6
Butter .....	Milk for butter .....	Pound	91.4	150.7	97.4	53.3	38.1
Cheese, American proc. ....	Milk for American cheese ..	½ pound	71.4	31.9	.7	31.2	40.2
Ice cream .....	Cream, milk, and sugar .....	½ gallon	109.0	--	--	33.7	75.3
Milk, evaporated .....	Milk for evaporating .....	14½-ounce can	29.7	--	--	13.9	15.8
Milk, fresh:							
Sold in stores .....	4.39 lb. Class I milk .....	½ gallon	77.7	--	--	37.5	40.2
Chicken, frying .....	1.41 lb. broiler .....	Pound	54.1	--	--	31.0	23.1
Turkey .....	1.28 lb. turkey .....	Pound	67.2	--	--	32.6	34.6
Eggs, Grade A Large ...	1.03 dozen .....	Dozen	70.8	--	--	47.9	22.9
Bread, white:							
All ingredients .....	U.S. farm ingredients .....	Pound	34.7	--	--	6.9	27.8
Wheat .....	.867 lb. wheat .....	Pound	--	5.9	0.9	5.0	--
Bread, whole wheat .....	.708 lb. wheat .....	Pound	53.7	--	--	6.3	27.2
Cookies, sandwich .....	.528 lb. wheat .....	Pound	74.9	--	--	14.8	60.1
Corn flakes .....	2.87 lb. yellow corn .....	12 ounces	42.5	16.6	11.3	5.3	37.2
Flour, wheat .....	6.85 lb. wheat .....	5 pounds	101.0	47.9	8.3	39.6	61.4
Rice, long grain .....	1.59 lb. rough rice .....	Pound	52.8	18.5	1.6	16.9	35.9
Apples .....	1.04 lb. apples .....	Pound	38.6	--	--	12.6	26.0
Grapefruit .....	1.03 grapefruit .....	Each	23.2	--	--	5.1	18.1
Lemons .....	1.04 lb. lemons .....	Pound	41.9	--	--	12.3	29.6
Oranges .....	1.03 dozen oranges .....	Dozen	115.5	--	--	28.3	87.2
Cabbage .....	1.08 lb. cabbage .....	Pound	15.7	--	--	4.9	10.8
Carrots .....	1.03 lb. carrots .....	Pound	24.3	--	--	8.8	15.5
Celery .....	1.08 lb. celery .....	Pound	25.5	--	--	7.7	17.8
Cucumbers .....	1.09 lb. cucumbers .....	Pound	30.0	--	--	10.2	19.8
Lettuce .....	1.88 lb. lettuce .....	Head	43.6	--	--	12.3	31.3
Onions .....	1.06 lb. onions .....	Pound	20.8	--	--	6.9	13.9
Peppers, green .....	1.09 lb. peppers .....	Pound	53.8	--	--	14.2	39.6
Potatoes .....	10.42 lb. potatoes .....	10 pounds	158.7	--	--	53.7	105.0
Tomatoes .....	1.18 lb. tomatoes .....	Pound	49.6	--	--	18.1	31.5

Continued--

Table 36.--Farm food products: Retail price, farm value, byproduct allowance, farm-retail spread, and farmer's share of retail price, third quarter 1974.

Product	Farm equivalent	Retail unit	Retail price	Gross farm value	Byproduct allowance	Net farm value	Farm-retail spread	Farmer's share
					Cents			Percent
Peaches, canned	1.52 lb. Calif.							
	cling	No. 2½ can	54.0	--	--	10.1	43.9	19
Pears, canned	1.81 lb. pears for canning	No. 2½ can	66.6	--	--	15.7	50.9	24
Beets, canned	1.19 lb. beets for canning	No. 303 can	28.5	--	--	1.7	26.8	6
Corn, canned	2.25 lb. sweet corn	No. 303 can	29.8	--	--	3.8	26.0	13
Peas, canned	.725 lb. peas for canning	No. 303 can	33.2	--	--	6.1	27.1	18
Tomatoes, canned	1.515 lb. tomatoes for canning	No. 303 can	30.4	--	--	3.5	26.9	12
Lemonade, frozen	.834 lb. lemons for processing	6-ounce can	17.7	--	--	4.3	13.4	24
Orange juice, frozen	3.24 lb. oranges	6-ounce can	25.7	--	--	9.3	16.4	36
Potatoes, french fried, frozen	1.41 lb. potatoes	9 ounces	24.1	--	--	7.9	16.2	33
Peas, frozen	.68 lb. peas for canning	10 ounces	30.9	--	--	5.4	25.5	17
Beans, dried	1.04 lb. dry beans	Pound	73.0	--	--	22.4	50.6	31
Margarine	Soybeans, cottonseed, and milk	Pound	58.6	54.7	23.0	31.7	26.9	54
Peanut butter	1.21 lb. peanuts	12-ounce jar	63.3	--	--	21.0	42.3	33
Salad and cooking oil	Soybeans, cottonseed, and corn	24-oz. bottle	110.1	107.0	56.7	50.3	59.8	46
Vegetable shortening	Soybeans and cottonseed	3 pounds	184.8	194.8	83.0	111.8	73.0	60
Sugar	Sugar beets and cane	5 pounds	175.0	47.6	2.8	2/ 44.8	2/ 130.2	2/ 26
Spaghetti, canned	Wheat, tomatoes, cheese, and sugar	15¼-ounce can	24.3	--	--	3.3	21.0	14

1/ Payment to farmers for equivalent quantities of farm products (gross farm value) minus imputed value of byproducts obtained in processing.

2/ Net farm value including Government payments to producers was 48.5 cents with a farmer's share of 28 percent. Farm-retail spread less Government processor tax was 127.5 cents.

Table 37.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, July-September 1974, April-June 1974, and July-September 1973.

Product 1/	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		III : 1974	II : 1974	III : 1973	III : 1974	II : 1974	III : 1973	III : 1974	II : 1974	III : 1973	III : 1974	II : 1974	III : 1973
Cents													
Percent													
Beef, Choice .....	Pound	141.0	134.5	141.8	91.3	81.7	98.8	49.7	52.8	43.0	65	61	70
Lamb, Choice .....	Pound	143.2	134.6	139.7	76.9	84.4	77.7	66.3	50.2	62.0	54	63	56
Pork .....	Pound	107.4	99.3	121.8	62.8	47.9	86.1	44.6	51.4	35.7	58	48	71
Butter .....	Pound	91.4	93.6	91.2	53.3	52.9	64.6	38.1	40.7	26.6	58	57	71
Cheese, American process .....	½ pound	71.4	75.3	59.8	31.2	34.0	30.5	40.2	41.3	29.3	44	45	51
Ice cream .....	½ gallon	109.0	105.2	90.5	33.7	35.5	34.3	75.3	69.7	56.2	31	34	38
Milk, evaporated .....	14½-ounce can	29.7	28.5	22.6	13.9	14.8	11.7	15.8	13.7	10.9	47	52	52
Milk, fresh:													
Sold in stores .....	½ gallon	77.7	80.1	64.7	37.5	43.4	33.8	40.2	36.7	30.9	48	54	52
Chicken, frying .....	Pound	54.1	53.0	74.9	31.0	28.7	48.6	23.1	24.3	26.3	57	54	65
Turkey .....	Pound	67.2	71.5	79.9	32.6	32.2	50.3	34.6	39.3	29.6	49	45	63
Eggs, large Grade A ..	Dozen	70.8	68.5	87.4	47.9	43.9	64.3	22.9	24.6	23.1	68	64	74
Bread, white:													
All ingredients .....	Pound	34.7	34.4	27.7	6.9	6.2	5.9	27.8	28.2	21.8	20	18	21
Wheat .....	Pound	-	-	-	5.1	4.5	4.5	-	-	-	15	13	16
Bread, whole wheat ..	Pound	53.7	52.0	43.2	6.3	5.7	5.3	47.4	46.3	37.9	12	11	12
Cookies, sandwich .....	Pound	74.9	69.4	57.6	14.8	12.4	9.5	60.1	57.0	48.1	20	18	16
Corn flakes .....	12 ounces	42.5	38.9	32.7	5.3	4.3	4.1	37.2	34.6	28.6	12	11	13
Flour, white .....	5 pounds	101.0	106.5	73.5	39.6	36.4	37.0	61.4	70.1	36.5	39	34	50
Rice, long grain .....	Pound	52.8	53.2	28.2	16.9	22.3	15.9	35.9	30.9	12.3	32	42	56
Apples .....	Pound	38.6	35.0	35.0	12.6	12.6	11.5	26.0	22.4	23.5	33	36	33
Grapefruit .....	Each	23.2	18.7	23.6	5.1	4.1	5.8	18.1	14.6	17.8	22	22	25
Lemons .....	Pound	41.9	41.0	39.1	12.3	10.1	13.5	29.6	30.9	25.6	29	25	35
Oranges .....	Dozen	115.5	108.3	107.6	28.3	24.0	27.9	87.2	84.3	79.7	25	22	26
Cabbage .....	Pound	15.7	16.8	18.5	4.9	4.9	7.8	10.8	11.9	10.7	31	29	42
Carrots .....	Pound	24.3	21.8	22.7	8.8	7.3	8.4	15.5	14.5	14.3	36	33	37
Celery .....	Pound	25.5	23.5	27.0	7.7	6.7	9.1	17.8	16.8	17.9	30	29	34
Cucumbers .....	Pound	30.0	35.6	25.9	10.2	14.0	8.4	19.8	21.6	17.5	34	39	32
Lettuce .....	Head	43.6	45.2	46.0	12.3	13.4	13.2	31.3	31.8	32.8	28	30	29
Onions .....	Pound	20.8	20.5	22.3	6.9	5.2	6.8	13.9	15.3	15.5	33	25	30
Peppers, green .....	Pound	53.8	63.1	48.2	14.2	25.7	13.6	39.6	37.4	34.6	26	41	28
Potatoes .....	10 pounds	158.7	223.5	164.4	53.7	81.8	53.7	105.0	141.7	110.7	34	37	33
Tomatoes .....	Pound	49.6	58.2	47.8	18.1	23.5	20.6	31.5	34.7	27.2	36	40	43

Continued--

Table 37.--Farm food products: Retail price, farm value, farm-retail spread, and farmer's share of retail price, July-September 1974, April-June 1974, and July-September 1973.

Products	Retail unit	Retail price			Farm value			Farm-retail spread			Farmer's share		
		III : 1974	II : 1974	I : 1974	III : 1973	II : 1974	I : 1974	III : 1973	II : 1974	I : 1974	III : 1974	II : 1974	I : 1973
		Cents											
		Percent											
Peaches, canned.....	No. 2½ can	54.0	48.7	41.2	10.1	9.3	7.1	43.9	39.4	34.1	19	19	17
Pears, canned.....	No. 2½ can	66.6	61.3	56.6	15.7	13.4	12.5	50.9	47.9	44.1	24	22	22
Beets, canned.....	No. 303 can	28.5	27.0	24.4	1.7	1.7	1.5	26.8	25.3	22.9	6	6	6
Corn, canned.....	No. 303 can	29.8	27.5	25.1	3.8	3.1	3.0	26.0	24.4	22.1	13	11	12
Peas, canned.....	No. 303 can	33.2	29.9	27.0	6.1	4.4	4.2	27.1	25.5	22.8	18	15	16
Tomatoes, canned.....	No. 303 can	30.4	28.8	24.9	3.5	3.2	2.8	26.9	25.6	22.1	12	11	11
Lemonade, frozen.....	6-ounce can	17.7	16.1	14.6	4.3	4.3	3.8	13.4	11.8	10.8	24	27	26
Orange juice, frozen..	6-ounce can	25.7	25.5	24.8	9.3	9.2	8.4	16.4	16.3	16.4	36	36	34
Potatoes, french fried, frozen.....	9 ounces	24.1	21.0	17.2	7.9	7.8	4.1	16.2	13.2	13.1	33	37	24
Peas, frozen.....	10 ounces	30.9	26.4	23.7	5.4	4.2	4.0	25.5	22.2	19.7	17	16	17
Beans, dried.....	Pound	73.0	80.0	29.8	22.4	40.9	17.2	50.6	39.1	12.6	31	51	58
Margarine.....	Pound	58.6	53.9	37.7	31.7	23.0	16.0	26.9	30.9	21.7	54	43	42
Peanut butter.....	12-ounce jar	63.3	59.1	52.4	21.0	20.0	18.3	42.3	39.1	34.1	33	34	35
Salad and cooking oil.....	24-oz. bottle	110.1	102.0	69.4	50.3	36.9	24.8	59.8	65.1	44.6	46	36	36
Vegetable shortening..	3 pounds	184.8	171.6	108.2	111.8	80.5	55.1	73.0	91.1	53.1	60	47	51
Sugar.....	5 pounds	175.0	126.9	75.6	44.8	44.8	31.5	130.2	82.1	44.1	26	35	42
Spaghetti, canned.....	15½-oz. can	24.3	22.0	20.2	3.3	3.1	2.8	21.0	18.9	17.4	14	14	14

1/ Primary products in the farm-food market basket.

2/ Preliminary.

Table 38.--The market basket of farm foods by product group: Retail cost, farm value, farm-retail spread, and farmer's share of retail cost, quarterly 1973 and 1974.

Item	1973		1974		
	III	IV	I	II	III
<u>Dollars</u>					
<u>Retail cost</u>					
Market basket .....	1603.67	1634.65	1720.02	1730.83	1750.64
Meat .....	559.87	547.65	560.14	515.54	527.10
Dairy .....	246.09	275.94	292.30	302.66	293.93
Poultry .....	89.02	69.33	72.28	65.48	65.73
Eggs .....	62.88	62.61	66.40	50.10	51.34
Bakery and cereal:					
All ingredients .....	211.46	243.40	259.34	275.34	279.89
Grain .....	-	-	-	-	-
Fresh fruits .....	71.55	68.70	68.52	73.50	79.39
Fresh vegetables .....	117.18	100.58	116.19	138.30	115.84
Proc. fruits and veg. ...	134.80	142.66	151.82	160.58	170.33
Fats and oils .....	49.61	59.35	64.16	72.43	77.60
Miscellaneous .....	61.21	64.43	68.89	76.90	89.49
<u>Farm value</u>					
Market basket .....	779.31	723.87	779.56	698.57	720.32
Meat .....	380.20	320.39	325.12	274.13	304.25
Dairy .....	124.80	144.05	156.28	150.56	133.69
Poultry .....	57.55	37.69	39.96	34.87	37.13
Eggs .....	46.23	44.13	46.83	32.08	34.73
Bakery and cereal:					
All ingredients .....	50.98	60.49	72.66	57.51	61.25
Grain .....	40.06	48.10	57.82	42.99	45.24
Fresh fruits .....	22.78	20.26	20.20	24.42	24.02
Fresh vegetables .....	39.22	30.75	40.41	47.67	37.41
Proc. fruits and veg. ...	25.80	28.69	33.56	34.89	34.31
Fats and oils .....	20.67	24.16	29.21	29.85	39.96
Miscellaneous .....	11.08	13.26	15.33	14.59	13.47
<u>Farm-retail spread</u>					
Market basket .....	824.36	910.78	940.46	1032.26	1030.32
Meat .....	179.67	227.26	235.02	241.41	222.75
Dairy .....	121.29	131.89	136.02	152.10	160.24
Poultry .....	31.47	31.64	32.32	30.61	28.60
Eggs .....	16.65	18.48	19.57	18.02	16.61
Bakery and cereal:					
All ingredients .....	160.48	182.91	186.68	217.83	218.64
Grain .....	-	-	-	-	-
Fresh fruits .....	48.77	48.44	48.32	51.08	55.37
Fresh vegetables .....	77.96	69.83	75.78	90.63	78.43
Proc. fruits and veg. ...	109.00	113.97	118.26	125.69	136.02
Fats and oils .....	28.94	35.19	34.95	42.58	37.64
Miscellaneous .....	50.13	51.17	53.56	62.31	76.02
<u>Farmer's share</u>					
<u>Percent</u>					
Market basket .....	49	44	45	40	41
Meat .....	68	58	58	53	58
Dairy .....	51	52	53	50	45
Poultry .....	65	54	55	53	56
Eggs .....	74	70	71	64	68
Bakery and cereal:					
All ingredients .....	24	25	28	21	22
Grain .....	19	20	22	16	16
Fresh fruits .....	32	29	29	31	30
Fresh vegetables .....	33	31	35	34	32
Proc. fruits and veg. ...	19	20	22	22	20
Fats and oils .....	42	41	46	41	51
Miscellaneous .....	18	21	22	19	15



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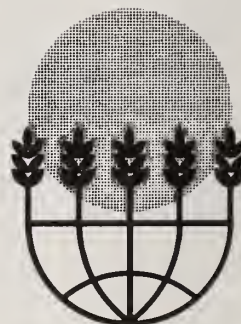
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